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US commerce gets an elegant advocate
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Empty Raincoat
Charles Handy charts the future of the company
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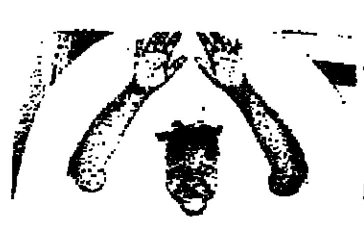

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FINANCIAL TIMES

Europe's Business Newspaper — MONDAY FEBRUARY 21 1994 — D8523A

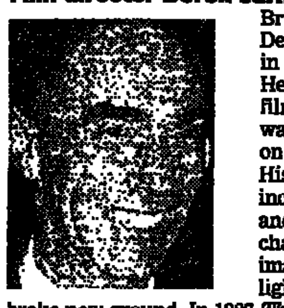
Taiwan and Boeing may co-operate on regional jet project

Taiwan Aerospace is in talks with Boeing over possible joint development of a 100-seat regional jet. The move follows the failure of talks last year between the aerospace company, which is 29 per cent owned by the Taiwan government, and British Aerospace to co-operate on a similar project. Page 16

US moves on spent nuclear fuel: After five years of delay, the US Department of Energy has recommended that the US should take back spent nuclear fuel from nine European research reactors. Page 16

Kohl seeks to rouse his party: German Chancellor Helmut Kohl today faces the task of persuading his Christian Democratic Unionists, meeting in Hamburg for their party conference, that they can win the general election in October. Page 16

Film director Derek Jarman dies



British film director Derek Jarman died in London of Aids. He was 52. *Blue*, his film about his illness, was shown last year on British television. His other films, which include *Caravaggio* and *Wittgenstein*, were characterised by an imagery of colour, light and design which broke new ground. In 1987 *The Last of England* inspired a book of the same name in which he announced he was HIV positive. **Obituary, Page 13**

Tokyo talks on Honda's Rover partnership: Talks in Tokyo this week between carmakers BMW, Honda and Rover will help determine whether Honda will continue its 15-year partnership with Rover under BMW's majority ownership. Page 17; Honda may hold the ace, Page 18

British Steel customers consider action: Steel fabricators are considering legal action against British Steel over the prices they paid for beams and girders between 1984 and 1990. Page 8

Romania acts against pyramid scheme: The Romanian authorities have acted to stop Caritas, the money-spinning pyramid scheme, from opening new branches. Page 2

Dutch plan mobile phones tax: The Dutch government is proposing to impose a 7.5 per cent tax on the profits of companies operating new digital cellular networks when licences are issued this year. Page 16

Santa Fe Pacific, the US railroad group, is expected to float its subsidiary Santa Fe Gold Corporation, sixth largest North American gold producer, on terms that would give it a market value of at least $1.5bn. Page 17

Cable & Wireless, the UK telecommunications group, intends to make the Asia-Pacific region its prime investment focus for the next decade. Page 17

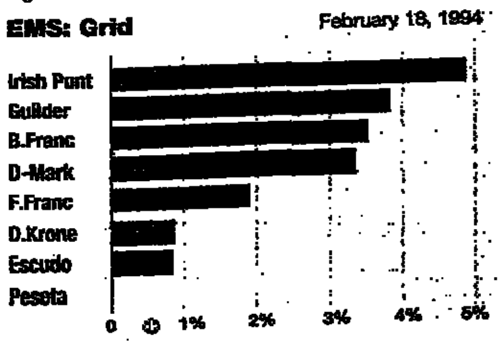
Hijackers demand $5m: Three armed Afghans demanded $5m for the release of 16 Pakistani schoolboys they kidnapped when they hijacked a school bus near Islamabad. The kidnappers earlier released 57 of 73 schoolchildren and staff.

Kenya lifts borrowing curbs: Kenya has lifted restrictions on local borrowings by foreign-controlled companies, and plans to repeal remaining foreign exchange controls by the end of the year. Page 4

Venezuela bank head named: Venezuela named Gustavo Roosen, president of the country's national oil company PDVSA, to head its intervention board at Banco Latino, second-largest Venezuelan bank, which failed last month. Page 6

European Monetary System: The order of the currencies in the grid were unchanged at the end of a week in which Germany, Belgium, the Netherlands and Denmark eased monetary policy. All currencies except the Irish punt and the Danish krone were stronger against the Spanish peseta, the weakest currency. **Currencies, Page 29**

EMS: Grid — February 18, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

China repression 'increasing': China was accused by international human rights group Asia Watch of increasing political repression, with more than 200 dissidents arrested last year. Page 5

Swiss vote to ban transit lorries from alpine regions

By Ian Rodger in Zurich

The Swiss moved boldly yesterday to protect their alpine environment, voting in a plebiscite to ban all lorry transit traffic through the Swiss Alps within 10 years even though such a ban is likely to worsen relations between their government and the European Union.

Nearly 52 per cent of those who went to the polls voted in support of the ban, defying the Swiss government's strong denunciation of the proposal.

Two years ago, Bern signed a 12-year agreement with the European Union to restrain the growth of transit lorry traffic in the Alps. It argued during the referendum campaign that this provided adequate protection, but will no longer be able to respect that agreement.

It is the second time in less than two years that the Swiss people have voted to undo agreements reached between their government and the EU. In December 1992 they rejected a proposal to join the European Economic Area, an enlarged free trade zone linking the countries of the European Free Trade Association with the EU.

In Brussels, an EU official said the decision was regrettable. Bern fears that the EU will become reluctant to enter planned bilateral negotiations over air traffic rights in the union for Swissair and other issues.

But there was jubilation in the tiny canton of Uri, which lies in a narrow mountain valley leading up to the Gotthard Pass, the shortest road and rail route between Germany and Italy.

It was there that a petition was drawn up in 1990 proposing that all transit lorry traffic be forced to move on to the railways after a 10-year transition period and all transit-related motorway construction in Switzerland be halted.

A crestfallen Mr Adolf Ogi, the Swiss transport minister, said the government would do what it could to minimise discrimination against EU lorries, but there is not much he can do. Under Switzerland's system of direct democracy, the people's decision in a plebiscite is binding and final.

The result could also complicate the EU's enlargement negotiations with Austria, now in an intense final phase. Austrians are also upset about the pollution caused in Alpine valleys by transit lorries. Their determination to prevent any further liberalisation of transit traffic could be stiffened by the Swiss vote.

Mr Viktor Klima, Austria's transport minister, noted in Brussels yesterday that the vote was a signal that Europeans wanted a more environmentally friendly transport policy.

Air strike threat eases as Serbs move guns

By Judy Dempsey in London, Robert Graham in Aviano and George Graham in Washington

The likelihood of early air strikes against Bosnian Serbs receded sharply yesterday after their forces rushed to comply with last night's Nato deadline to withdraw their heavy artillery from around Sarajevo.

General Sir Michael Rose, the United Nations commander in Bosnia, was quoted by the BBC last night as saying that immediate Nato air strikes against Serb-held positions in the Bosnian capital would not be necessary.

General Pavel Grachev, Russia's defence minister, said after speaking by telephone to Mr William Perry, US defence secretary, that he had been told only reconnaissance operations would be carried out today. The two ministers plan to consult again this evening.

However, President Alija Izetbegovic, head of Bosnia's mainly Moslem government, insisted that the Serbs had not adequately complied and wrote to Mr Manfred Wörner, Nato secretary general, urging that the strikes threatened from today be carried out.

Western forces assembled the largest collection of allied air power since the Gulf war after giving the Serb and Bosnian government forces until midnight GMT last night to withdraw or place under UN control all heavy weapons around Sarajevo. If not, UN officials would request Nato to launch air strikes against any remaining positions overlooking the city.

But Russia, which last week forged a deal with Bosnia's Serbs, continued to oppose any air strikes. Mr Vitaly Churkin, Russia's deputy foreign minister and Moscow's special envoy in former Yugoslavia, warned that Nato's "Partnership for Peace" agreements with former Warsaw Pact states in eastern Europe could be one casualty of any air strike. "The point here is not air strikes. It is peace," he said.

As the west seeks ways to capitalise on the ceasefire around Sarajevo and move the peace process forward, Mr Douglas Hurd, British foreign secretary, will today hold talks with Mr Alain Juppé, his French counterpart. Senior officials from the European Union, the US, Russia and the UN are due to meet tomorrow in Bonn.

In Washington, President Bill Clinton said: "Military force can make it more likely that Bosnian Serbs will seek a solution through negotiation."

Mr Warren Christopher, US secretary of state, said the "next step is to consider whether other places in Bosnia should have a comparable treatment," including the towns of Srbrenica and Gorazde.

He added that finding a settlement which met the reasonable requirements of the Bosnian Moslems was a high priority, and that the apparent success of Nato's new resolve over Sarajevo would boost the peace talks.

"US leadership in the negotiations is very important. I think there will be a new credibility for the west in the negotiations," he said.

Nato's ultimatum, issued on February 10, was aimed at putting pressure on the Bosnian Serbs to lift the siege of Sarajevo, and persuade the Bosnian Croat, Serb and government forces to reach a negotiated peace settlement for the whole of Bosnia.

Hours before the deadline expired, Mr Radovan Karadzic, leader of the Bosnian Serbs, said

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Associated Press

Bosnian Serbs welcome a Russian UN battalion yesterday in Pale, about 15km north-west of Sarajevo. Russia has opposed Nato air strikes

Russians arrange ceasefire between warring Azeris and Armenians

Nagorno-Karabakh peace plan

By John Lloyd in Baku

A breakthrough may be in sight in the five-year-old conflict over Nagorno-Karabakh, the Armenian-dominated enclave in Azerbaijan, following a Russian-arranged ceasefire agreed over the weekend and a proposal for a meeting of the leaders of the two warring neighbours early next month.

The Azeri leadership said in the capital, Baku, yesterday that the defence ministers of Azerbaijan and Armenia had agreed in Moscow with General Pavel Grachev, the Russian defence minister, on an immediate ceasefire and a withdrawal of the forces of both sides to predetermined positions.

A complete withdrawal of Armenian forces from Azerbaijan would depend on further negotiations.

The agreement came after further fierce fighting between Armenian and Azeri forces in the region of Kelbadjar on the borders of Nagorno-Karabakh. Armenian forces now occupy 25 per cent of Azeri territory on both sides of the Karabakh enclave and more than 1m Azeris have been made refugees, most of these living in tents round the capital of Baku.

In an interview yesterday Mr Haydar Aliev, the Azeri president, was cautious, pointing out that "there have been many ceasefires – the important question is the total withdrawal of the Armenians from our territory and then we can talk about Nagorno-Karabakh."

Mr Aliev, the former Communist party leader of Azerbaijan who returned to power last year in a bloodless coup, said that Nagorno-Karabakh, which has declared its independence, must be recognised as part of Azerbaijan. "After that, discussions on its status are open. We can agree to many kinds of status and as president I guarantee all rights to the Armenians living there."

Mr Vafa Gulizade, the presidential adviser on foreign affairs, said that "the most important thing about this agreement is that it is guaranteed by the Russians. The Russians can force the Armenians to withdraw if they want, because Armenia is entirely dependent on Russia for its survival."

The two neighbouring countries, between which hostilities have escalated since the Armenian parliament declared Nagorno-Karabakh part of Armenia four years ago, are now both members of the Russian-led Commonwealth of Independent States and both, especially Armenia, remain closely tied to the Russian economy.

However, Azerbaijan possesses very large oil reserves in the Caspian Sea. A contract with a western consortium of oil companies, led by British Petroleum but with the probable participation of the Russian state oil company, Lukoil, is expected to be signed shortly.

Financial markets braced for further bout of turbulence

By Steve Thompson and Graham Bowley in London

International financial markets look set for another bout of turbulence today after the sell-off that caused heavy falls in US and European bond and equity markets late last Friday.

One senior market-maker in UK equities said yesterday that prices of shares in the FT-SE 100, the London market's leading stocks, could probably be marked down by as much as 60 points, at the opening to try to head off any attempted selling by the big institutions.

He said that 3,355 on the FT-SE 100 would be a benchmark for market sentiment: "If it closes above 3,355 we should stabilise." The FT-SE 100 closed at 3,382.6 last Friday.

The sell-off came as bond dealers took fright at talk of exceptionally heavy selling of international bonds by some big US hedge funds, which are involved in aggressive short-term trading but aim to offset exposure to changes in market rates. This was compounded by worries about what Mr Alan Greenspan, US Federal Reserve chairman, will say tomorrow in a review of monetary policy to Congress.

Dealers were also worried about US inflation, after a Philadelphia Federal Reserve study warned of increasing input prices to manufacturers.

Asian markets will provide the first pointers to international market performance today. Mr Nick Knight, analyst at Nomura, the stockbroker, said: "The Hong Kong market is a critical and sensitive indicator of US money flows. If Hong Kong is down 200 points we'll have a manageable fall in London but if it is significantly larger than that, then it could be serious."

Mr Roger Bootle, chief economist at Midland Global Markets, said the downturn was due to technical factors rather than economic fundamentals.

He said: "The current international drama has nothing at all to do with the economic fundamentals, not least inflation, which is everywhere spectacularly good.

"It must therefore be to do with a shortage of liquidity as large investors and marketmakers have liquidated their positions.

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Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lev25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L13000
						UAE	Dh12.00

Disappointment at western stance on Bosnia

Kozyrev warns E Europe on Nato

By Judy Dempsey

While Mr Vitaly Churkin, Russia's deputy prime minister and Moscow's special envoy to the former Yugoslavia, brokers agreements in Sarajevo, Mr Andrei Kozyrev, Russia's foreign minister, travels around eastern Europe.

Fresh from long talks with Greek officials, who continue to prevent oil deliveries reaching neighbouring Macedonia, Mr Kozyrev yesterday met Mr Vaclav Klaus, the Czech prime minister, travels to Budapest today, and arrives in Warsaw tomorrow.

The agenda is clear. The Russians want to explain Moscow's role in Bosnia-Hercegovina. But they also want to tell Prague, Budapest and Warsaw that Nato's Partnership for Peace could be jeopardised if Nato launches air strikes on Sarajevo.

The Partnership for Peace envisages closer military co-operation, but no eventual membership or any kind of security guarantee for the countries of eastern Europe.

Against this background of growing Russian involvement in the Bosnian crisis, military strategists believe that if the US does not play a role in helping to reach a negotiated political settlement for Bosnia, a new balance of power will emerge in Europe with Russia playing a more dominant role at the expense of the east Europeans.

Czech President Vaclav Havel has repeatedly said the Bosnian war has exposed Europe's inability to deal with the post-cold war era: the western response may encourage future nationalists and populists in eastern Europe capable of exploiting divisions among European capitals.

"Kozyrev will be told what the Czechs think," a senior military strategist said. "Mr Klaus, who has no illusions about the European Union, will tell Moscow that Prague will deal with Russia, but on its own terms."

In Budapest, diplomats are very disappointed with Nato's stance on Bosnia. "We allowed them to fly Awacs over our territory. Then they simply gave the impression they expected us to allow them to fly Awacs over Hungary for the air strikes without any kind of proper consultation. We refused," a Hungarian diplomat said. "Yet when we ask for a decent Partnership for Peace, the door is only half opened."

Moscow may be grateful for Hungary's refusal. But Budapest had its own motives: the fate of the 450,000-strong ethnic Hungarian minority in Serbia. "We would be pleased if Kozyrev could exert pressure on Serbia to recognise the rights of the minority and ensure their safety," the diplomat said. "But it should be the west which should shore up our democratic structures, while Russia would probably want something in return if it helped us." That might involve Hungary's easing sanctions on Serbia, which Budapest would be loath to concede.

Mr Kozyrev's trip to Warsaw will be even more delicate. The Poles have not forgotten how President Boris Yeltsin last year said he opposed Poland asking for Nato membership. "Sometimes you think that Moscow does not realise that we are an independent sovereign country," a Polish Foreign Ministry official said then.

Yet the Russian leadership, with Mr Vladimir Zhirinovsky, head of the far-right Russian Liberal Democratic party, in the background, realise that the longer the west fails to live up to its promises and commitments for the countries of eastern Europe, the greater the chance for feeding anti-western sentiments within eastern Europe itself.

"We are extremely fortunate eastern Europe is stable, little thanks to us," a UK military expert said. "The Bosnian crisis has shown eastern Europe the weaknesses of western governments. They worry that if Washington does not pull its weight in Bosnia, Russia could fill that vacuum, return to haunt eastern Europe, and even turn the region into a cordon sanitaire. Remember, Russia still has an imperial itch."

Supporter of Russian PM urges western aid

By Leyla Boulton in Moscow

Mr Arkady Volsky, chief of a Russian industrialists' and entrepreneurs' union, called at the weekend for western capital to support what he called the new government's attempts to restore "basic organisation" to the economy in order to continue reforms.

Mr Volsky, a close associate of Mr Victor Chernomyrdin, the prime minister, who has called for "non-monetary" means to fight inflation and more state intervention in the economy, denied Russia lacked the right political and economic conditions to receive large-scale financial assistance.

He also called for "international compensation" to Russia for "billions of dollars" it had lost because of its adherence to sanctions against the former Yugoslavia, Iraq and Libya.

Mr Chernomyrdin has continued to issue conflicting signals about the intentions of his new economic team of former industrial managers. "They are scared of being blamed for fuelling inflation. They do not know what to do. They have made promises but no decisions," said one reformer still in the government.

On Friday, Mr Chernomyrdin signed a document bringing closer a controversial monetary union with neighbouring Belarus. Although the terms of the proposed union have yet to be made public, this project will inevitably mean increased pressure on Russia's finances.

In an attempt to lessen the burden of neighbouring republics, Russia last year cut energy supplies to the Commonwealth of Independent States by 40 per cent for oil and 25 per cent for gas, according to official figures published yesterday.

Mr Chernomyrdin also reassured Ukraine that Russia had no desire to take back the Crimean peninsula after Crimea's new president, who has promised a referendum on reunification with Russia, asked a former Russian deputy premier to head his government.

Pending a speech next Thursday, when President Boris Yeltsin is expected to clarify whether he endorses Mr Chernomyrdin's economic policy shift, the Russian prime minister has also issued instructions to make it more difficult for ailing companies to be declared bankrupt.

As well as trying to attract western investment to ailing enterprises, Mr Chernomyrdin is desperately trying to persuade the International Monetary Fund to unlock a new $1.5bn loan to help him support new budget expenditure. Mr Volsky's open letter is clearly designed to aid those efforts.

● In a sign of some continuing western efforts to support Russian reforms, Russia's privatisation ministry, headed by the only senior radical left in the government, unveiled a service providing free capitalist expertise to help managers of privatised enterprises.

Advisers provided by leading western companies will assist with business plans, rationalisation and cost cutting programmes, as well as staff training, and searching for foreign investors.

Russia 'unable to follow western market model'

By James Blitz

One of Britain's leading political scientists has sharply attacked expectations that the former Soviet Union could become a fully fledged market economy, saying it does not have the legal and cultural infrastructure which allowed this development in the west.

In a pamphlet published today, Dr John Gray of Oxford University claims that western governments are mistaken to think that Russia will converge smoothly on any western model of economic development.

In particular, he attacks recent attempts by economists such as Dr Jeffrey Sachs to transform the Soviet economy by means of "shock therapy".

Dr Gray says the common inheritance of central planning in post-communist societies will make it very difficult for them to follow western style economic development.

These countries, he says, "lack almost entirely the legal and institutional infrastructure of the market on which economic take-off was based". But he also argues that these legal and institutional structures cannot be created quickly by policymakers.

He argues that such institutions are "human practices that always come deeply embedded in matrices of cultural tradition". "It is [market institutions'] very nature to be plural and diverse."

Post-communist societies in transition: A social market perspective. Published by the Social Market Foundation, 20 Queen Anne's Gate, SW1H 9AA

Catholic women in Sarajevo pray for peace and an end to the 22-month siege of the city as the deadline for Serb withdrawal approached yesterday Picture: Reuter

Roar of jets amplifies Nato threat

By Robert Graham at Aviano air base

In a huge hangar at Aviano, a northern Italian frontline air base for Nato operations over Bosnia, the defence ministers of France, Italy, the Netherlands, the UK and the US yesterday approved final plans for attack missions over Sarajevo should the Serbs have failed to comply with the Sunday midnight deadline for withdrawal of heavy weapons from around the besieged city.

The ministers spoke of "comforting signs" of Serb compliance with the United Nations ultimatum. But they also made it clear their determination to use force if necessary.

On the timing of any attack mission, the ministers were naturally cautious. However Mr Malcolm Rifkind, the UK defence minister, speaking ahead of the encouraging UN view expressed from Sarajevo, said verification on the ground was essential and it would not be possible to know if the Serbs had properly complied with the withdrawal requirements precisely at midnight.

This suggested that commanders on the ground were being given discretion to check the positions of weapons and that any military action would be delayed at least until then.

The threat to use force was emphasised by the thunderous roar of US F-16 and F-18 jets as they took off for reconnaissance missions over the war zone before and during the ministers' press conference yesterday afternoon.

Mr Walter Perry, in his first important overseas mission since becoming US defence secretary, said he was fully satisfied by Nato's combat-readiness. He also said the rules of engagement had been agreed among the US allies. The US is supplying just over half the 226 combat and support aircraft involved in the Bosnian operations.

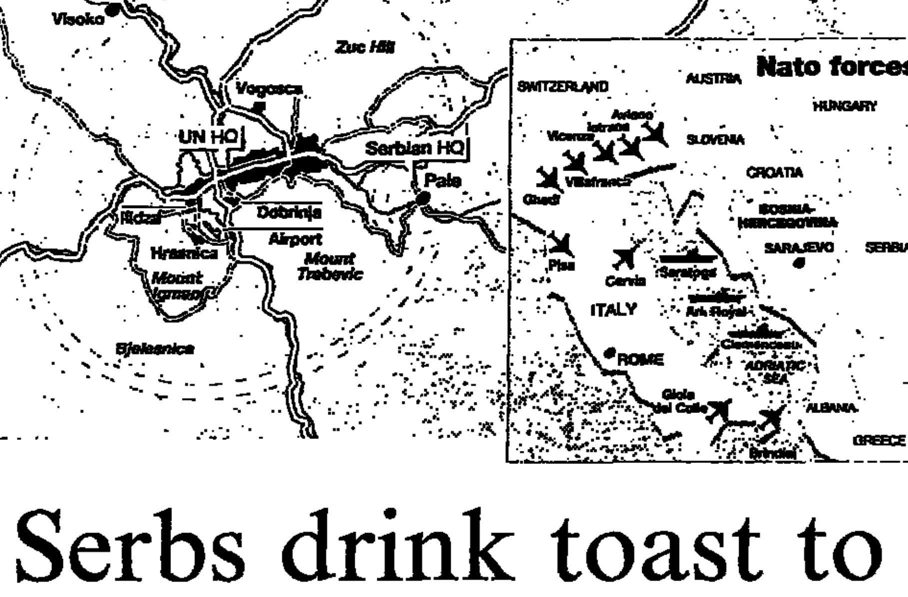
However, he admitted that bad weather over Sarajevo was "a significant handicap". For the past month operations have been limited and some of the pilots here have said in private that with poor visibility, precision operations are difficult despite the technology available.

Mr Perry himself said that even if weather was a limiting factor this would not stop Nato action. In a communiqué after their meeting, held with Nato commanders and a representative of UN forces in former Yugoslavia, the ministers stated their determination "to support actions to end the slaughter of innocent civilians in Sarajevo and reinvigorate the peace negotiations".

The ministers refused to be drawn on whether the Serbs had abused the spirit of their agreement to withdraw by concentrating their heavy weapons in strategic sites or in areas which were heavily populated – thus complicating any combat mission by Nato. However, they said UN forces on the spot would be able to take control of those Serb weapons which were not in the designated places, and they would also have the authority to disable them. This was taking place last night.

The operations are being co-ordinated by Admiral Michael Boorda, the commander of Nato's southern flank, from his headquarters outside Naples. The Italians as neighbours of former Yugoslavia have been excluded from any combat role, but yesterday Mr Fabbio Fabri, defence minister, said Italy would put all its resources at the disposal of Nato forces. He also played down the threat of an attack or terrorist operations by Serb extremists against Italy.

The peculiar nature of the war on western Europe's doorstep was highlighted in Aviano by the big Sunday crowds who gathered to see the activity at the air base. Many families with children watched as US jets, fully loaded with bombs and missiles, took off and landed. These aircraft with the same ordnance could be in action within hours and were less than 30 minutes' flying time away from Sarajevo.



Defiant Serbs drink toast to Russia

Soldiers confident that Nato deadline will pass without air strikes

Bosnian Serb forces, coolly defiant to the last, laid plans for camp-fire barbecues and night skiing on the hills around Sarajevo yesterday, confident Nato's deadline would pass without air strikes on their remaining guns, AP reports from Pale.

"We want to make it easier for Nato planes to spot us," joked a Serb officer as he outlined plans for roasting oxen and lambs over fires on Mount Trebevic, overlooking Sarajevo.

Hundreds of Serbs chanting "Greater Serbia" and "Long Live Russia" gave a heroes' welcome to their Orthodox Slav brothers – Russian peacekeepers en route to Sarajevo – as they arrived in this Bosnian Serb stronghold, about 10 miles to the south-east.

Home-made brandy, bread and salt were passed in traditional welcome as soldiers and Serbs alike exulted. "We feel safe now, because they're our brothers," said a 15-year-old Serb girl, weeping with joy. "Everybody here feels the same."

It was a Russian pledge last Thursday to bring the 400 peacekeepers to Sarajevo that enabled Mr Radovan Karadzic, the Bosnian Serb leader, to promise to withdraw the heavy guns that have besieged and bombarded the Bosnian capital for almost two years.

Mr Karadzic himself was among the crowd shaking hands with the Russian soldiers, who held out three fingers in the traditional Serb victory sign.

Children clambered over the trucks and armoured personnel carriers in the 67-vehicle Russian convoy, saluting the soldiers.

The Bosnian Serb Olympics, being held in memory of the Sarajevo Olympics 10 years ago, scheduled night skiing on the slopes of Mount Jahorina just five hours before Nato's ultimatum expired at midnight GMT.

In Grbavica, a Serb-held section of southern Sarajevo, Bosnian Serb forces showed no fear of Nato bombs.

"We are not afraid, we can fight back their infantry attacks with our 7.62-calibre automatic rifles, which are not supposed to be under UN control," said Second Lt Danko Przulj, speaking in a bunker built in what used to be a heating plant.

His bunker is only 70 yards from Bosnian government troop positions across the Miljacka river that flows through Sarajevo. From two loopholes, the buildings housing Sarajevo defenders could be clearly seen.

"The latest ceasefire has been respected by both sides," said Lt Przulj. "It was never as quiet as it has been in the past 10 days."

Grbavica streets saw heavy fighting between former neighbours in May 1992, early into Sarajevo's 23-month siege. Damaged buildings stand in mute testimony to destroyed friendship and joint life in multi-ethnic Sarajevo.

Black plastic covers about 50 feet high hang like curtains between buildings, shielding residents from the government snipers who residents claimed have killed many Grbavica civilians.

Weary of war and broken promises, Sarajevans shrugged in resignation yesterday as word spread that not all Serb siege guns would be surrendered by midnight in accordance with the Nato ultimatum, Reuter reports from Sarajevo.

"I haven't had high hopes since day one of the ultimatum," said Alen Becirbegovic, 22, a soldier in the Moslem-led Bosnian army. "The Nato threat wasn't strong enough. The Serbs outwitted Nato and the United Nations."

"What's left of these weapons should be bombed," said 27-year-old Anis Mehic, a student. "Ultimatums should be carried out in full measure. Otherwise we are just spinning in small circles."

The weather lifted in Sarajevo yesterday after several days of snow and the streets were crowded with people pulling sledges loaded with jerry cans of water, relief parcels and firewood scrounged from the city's supply of shell-blasted buildings.

As residents trudged down snowy lanes, Nato jets roared overhead taking advantage of clearing skies for last-minute reconnaissance flights.

Hungary defence chief heads party

Defence Minister Lajos Fuer will lead Hungary's main governing party, the Hungarian Democratic Forum, into May elections, AP reports from Budapest.

Mr Fuer was elected new president of the Forum in a vote late Saturday at the party's congress. The Hungarian Democratic Forum is the leading party in the conservative coalition government, whose popularity is slipping because of economic woes.

Mr Fuer, 55, a historian, was the sole candidate. He won 685 of 729 ballots cast.

He was arrested by Russian troops after the suppression of the 1956 revolt and briefly interned. He was a founding member of the Forum and a member of its national presidium since 1988.

"I will continue the policies of the late prime minister Jozsef Antall," he told the delegates. Mr Antall, who died in December after battling cancer, held both the party chairmanship and premiership.

Mr Antall's successor as premier, Mr Peter Boross, said he did not want both posts.

Mr Fuer told the three-day congress his party has a chance of getting between 20 and 30 per cent of the votes in the May parliamentary elections.

Recent polls indicated the Forum would gain only 8 per cent of the vote.

Branch closure hinders efforts to keep money pouring in to controversial scheme

Romania acts against pyramid craze

By Virginia Marsh in Snagov

The Romanian authorities have taken public measures against Caritas, the money-spinning pyramid scheme, for the first time in its 22-month existence.

The scheme's branch at Snagov, outside Bucharest, was open for just eight days before local authorities found a reason to close it last week. Caritas, which at its peak last year attracted some $1bn (£685m) in deposits from a total of 4m Romanians, did not have a legal lease on its premises, they said.

The move foils a bid by Mr Ion Stoica, the head of Caritas, to keep money coming into the scheme by opening new branches around the country.

Mr Stoica was forced to move further afield after investor confidence in the Transylvanian town of Cluj, where he founded his "society for mutual help", evaporated when the scheme stopped making regular payments in the autumn.

Since then only a handful of the hundreds of thousands who were promised a seven-fold return on their money in three months have received their "winnings".

Many have been left penniless after investing their life's savings in the scheme in the hope of protecting themselves against annual inflation of 300 per cent and rising poverty.

Mr Stoica, on the other hand, is believed to have collected $100m in commissions alone.

Press reports of poverty-stricken investors and warnings from President Ion Iliescu have not been enough to kill off the Caritas craze.

Thousands of naive and desperate Romanians have continued to put cash into new branches or in the many other similar schemes which have sprung up in its wake.

At Snagov, some 5,600 investors sank the equivalent of $840,000 into the Caritas branch within just four days of its opening, according to company ledgers examined by financial police.

Many said depositing early would increase their chance of winning. "I was one of the first in Cluj and I won 500,000 lei [£231]," one factory worker said. "That's why I'm here again at the beginning."

Others had lost money in Cluj but, spurred on by Mr Stoica's promise to relaunch the scheme in Bucharest, now hoped to become winners.

Mr Stoica's promise was relayed to the country in a half-hour interview on state-controlled television aired at prime time which would have cost $20,000 if run as a commercial. Free advertising time is just one of the many favours Mr Stoica has enjoyed on the way to amassing his fortune.

In Cluj, Caritas enjoyed the patronage of the mayor, Mr Gheorghe Funar, who is also president of the Romanian parliament's largest nationalist party.

Caritas, which was given offices in the town's sports stadium, boomed after Mr Funar endorsed it alongside Mr Stoica on television and at rallies. "Donations" from the scheme paid for the mayor's grandiose public works schemes.

Mr Funar's party is now negotiating with the ruling party to form a new governing coalition. In recent weeks, local authorities in other towns have closed down smaller rival pyramid schemes and arrested organisers on grounds of fraud and embezzlement.

But Mr Stoica, who says he has a list of MPs and other senior officials who have profited from Caritas, remains free.

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German trade union chief presses for new offer from employers

IG Metall steels itself for strike

By Christopher Parkes in Frankfurt

Germany's engineering industry will face its worst labour conflict in more than 10 years if employers persist with their demands for a pay freeze and an end to holiday bonuses, Mr Klaus Zwickel, president of the IG Metall union, warned at the weekend.

The union had enough reserves to fund stoppages for several weeks, despite the cost of DM41m (£16.1m) a week for every 100,000 people called out, he said. Bracing members for selective strikes, expected to start in the second week of March, Mr Zwickel said talks could resume only if employers tabled a firm new offer.

However, industry officials showed no signs of obliging. Mr Dieter Kirchner, chief executive of the Gesamtmetall employers' association, said he no longer believed a peaceful settlement was possible. IG Metall had removed the prospect by demanding the employers should surrender their position as a precondition for further talks, he added.

The union's national leadership is due to meet in Frankfurt today to select the region in which to call the first strike ballot. The old industrial heartland of North Rhine-Westphalia, Bavaria, Hesse and the northern part of Baden-Württemberg, are among the most likely targets.

The choice will depend on the union's chances of causing maximum national disruption by cutting off supplies of parts and equipment for factories elsewhere, and regional leaders' reports on the likelihood of winning maximum backing in a ballot. Strike action requires a 75 per cent Yes vote.

Despite the apparent inevitability of stoppages, observers suggest the conflict will be short-lived, although bitter. Employers have warned they will resort to lock-outs at non-striking factories affected by stoppages elsewhere.

If no negotiated solution is found in the period between the ballot and the start of strikes, industry observers expect the two sides to agree to binding arbitration sooner rather than later.

Both sides have already shown considerable flexibility. The union has backtracked on original claims for wage rises of up to 6 per cent, while employers have relaxed their insistence on the scrapping of holiday bonuses, worth some 75 per cent of a month's pay.

The main difficulty has arisen over the issue of how workers should be paid for working flexible hours – between 30 and 40 hours a week according to the needs of individual factories.

Although both sides have already accepted this in principle as the most suitable means of slowing the rate of job cuts, Gesamtmetall claims the union's demands will raise hourly pay rates and unit labour costs.

The employers justified their original proposals, based on a nil pay increase, with claims that German wages were making the whole industry uncompetitive.

Miners with distress flares demonstrate in Paris at the weekend against planned pit closures

Kohl tries to rouse the party faithful

By Quentin Peel in Bonn

Chancellor Helmut Kohl today faces one of the greatest challenges of his long career in German politics: to persuade his own Christian Democratic Union to shake off a mood of deep pessimism and believe that it can win the general election in October.

The odds are against him. Some 1,000 delegates will assemble in Hamburg for the three-day party conference to launch an eight-month marathon election campaign. The CDU is trailing behind the rival Social Democratic party (SPD) in the opinion polls, and Mr Kohl's own popularity stands even lower.

The latest poll by the Allensbach institute put the CDU and the Christian Social Union (CSU), its Bavarian sister party, on a combined 35.1 per cent in both halves of the country, against 40.9 per cent for the SPD. As for the chancellor's personal rating, it stood at 26 per cent last week, against 35 per cent for Mr Rudolf Scharping, the youthful challenger leading the SPD.

A large majority of electors now expects a change of government in October, and even in the ruling parties there is no majority in favour of maintaining the current coalition between CDU, CSU and the liberal Free Democratic party (FDP).

Reports from local party organisers around the country suggest gloom about Mr Kohl's prospects, not only for re-election as chancellor in eight months, but also for the CDU to stage a comeback in a string of local and state polls over the intervening months.

Yet Mr Kohl is clearly intending to rely on his own irrepressible self-confidence, and an attitude of extraordinary calm and composure, to shrug off all fears of defeat in the coming months.

In two interviews last week, he showed a refusal to pay attention to the polls, or to national pessimism about the economic recession and rising unemployment.

"We must not let ourselves be blown off course by every contrary breeze," he told the daily newspaper Die Welt. "I see no reason for pessimism or fatalism... Everybody is preaching about this lousy mood in the country, but I refuse to let myself be infected by it."

The Allensbach opinion poll also showed one other key trend in Mr Kohl's favour: voters are starting to drift back to the main parties – both SPD and CDU – from the protest parties. The extreme right-wing Republicans showed a drop in support of almost half, from 4.6 per cent to 2.7 per cent, and the Greens showed a fall from 10.2 per cent to 9 per cent. The SPD was up four percentage points on the previous poll in December, and the CDU by two points.

In spite of a large grumbling minority within the CDU about Mr Kohl's lack of direction in his leadership, and his own unpopularity, no one expects any serious attempt at a coup against him at the party conference.

The official aim is to endorse a new basic political programme for the party, its first new draft since 1978, and in particular, the first for a unified Germany.

There could still be mildly stormy debates about Europe – should the word "federal" be applied to European integration or not – about the environment, and about family policy.

Some want the party to be committed to a new goal of an ecological economy as well as the traditional "social market".

There is a controversial move to introduce a new tax on the childless, to help finance the soaring cost of old-age pensions.

The whole affair, however, is about how to win the next elections. The new party programme is called "Freedom and Responsibility". Yet the real party programme is called quite simply "Helmut Kohl".

As the Cologne Stadt Anzeiger newspaper said last week: "With Kohl, many admit it will be difficult to win. Without him, they know the election is as good as lost already."

● A new protest party has attacked Mr Kohl for his pro-Europe stance on the eve of the CDU congress. The Alliance of Free Citizens said the CDU was anti-constitutional in striving for a European Federation. Mr Manfred Brunner said Mr Kohl had signed a death sentence on the D-Mark.

Support for Balladur slips

Support for Mr Edouard Balladur, the French prime minister, has fallen below 50 per cent for the first time since he took office last March, according to a poll published yesterday, John Ridding reports from Paris.

The IFOP poll, in the weekly Journal du Dimanche, showed the percentage of voters satisfied with Mr Balladur had fallen by nine points to 47 per cent over the past month. The proportion of dissatisfied voters increased by 10 points to 43 per cent.

This followed other polls of the past few weeks which have shown a decline from an unusually high approval of more than 60 per cent. They appear to reflect concerns about the government's failure to curb the rise in unemployment, as well as specific issues such as the fishermen's strike this month.

Political analysts pointed out that support for Mr Balladur remains high, compared with previous French prime ministers and his international counterparts.

The decline in his popularity, however, has given heart to political opponents. Mr Michel Rocard, Socialist party leader, who trails Mr Balladur in the polls, said the political left would be in a position to challenge the prime minister in presidential elections, due in May next year.

In an interview with Le Figaro, Mr Rocard said the prime minister had failed to provide a vision for where France would stand in 10 years. Mr Balladur has also faced criticism within the his own centre-right RPR-UDF coalition government because he is seen as not doing enough to revive the economy.

A package of fiscal measures to boost the economy were announced at the end of last month and criticised as timid by some members of the RPR. Public discontent over Mr Balladur's failure to check unemployment of 12 per cent has also been rising after initial satisfaction with his crackdown on crime and firmness in world trade talks. Riots by fishermen this month have been cited as a sign of simmering anxiety.

Disputes on details may hinder EU enlargement

By David Gardner in Brussels

Concern is growing that negotiations to bring Austria, Sweden, Finland and Norway into the European Union by next January could sink into a quagmire of detail, during the final stretch of ministerial talks starting today in Brussels.

The two-day talks between foreign ministers of the 12 and the four applicants will be followed by marathon negotiations over February 25-28, and probably a third attempt in early March.

Unless a deal is finalised by the second week of March, the European Parliament will be unable to examine the accession treaty and the referenda all four candidates have promised their voters could be blown off course.

In spite of some softening by both sides on central issues such as agriculture and regional subsidies, tough bargaining on secondary issues and on money is spreading pessimism among negotiators.

Mr Esko Aho, the Finnish prime minister, said on Friday that EU prime ministers' support for enlargement had not percolated down to the negotiating table.

One EU negotiator said at the weekend it was becoming "more and more difficult to get a deal within the Union," especially on how much money the relatively rich candidates should put into the EU budget, on fishing rights, and on subsidies to Nordic and Alpine farmers and the thinly populated Arctic regions of Sweden, Norway and Finland.

Spain is leading attempts to get the new members' net financial contributions to the EU funnelled into regional aid for southern member states. But the European Commission's plan to set the four's net EU charges at a modest Ecu1.7bn (£1.3bn) is building resistance to a solution on agriculture and regional aid that the four applicants could sell to their voters.

Attitudes are hardening inside the 12, moreover, because Sweden says it can pay only 40 per cent of its estimated annual Ecu765m net contribution in the first three years of membership, while Austria too wants to phase in its net Ecu752m payments.

Spain, with support from the UK, wants guarantees that EU expansion will not dilute the existing rules enabling alliances within the 12 to block measures affecting their national interests.

Nevertheless, negotiators expect early progress on issues such as restrictions on buying holiday homes in the candidate countries, on scaling down Nordic alcohol monopolies, and on Nordic duty-free regimes.

Talks over Spanish car row

By David White in Madrid

Spanish government and regional authorities face crucial talks this week on the future of a Japanese-controlled car plant in the southern town of Linares, where roughly half the population took to the streets in a protest at the weekend.

The threatened closure of Santana Motor, a subsidiary of Suzuki making four-wheel-drive vehicles, could become a big political issue four months before regional elections in Andalucia, a stronghold of the country's ruling Socialists and home territory of Mr Felipe González, the prime minister.

The demonstration on Saturday, involving an estimated 25,000 to 30,000 townspeople, was provoked by Santana's announcement that it was seeking protection from creditors after heavy losses.

The Santana plant employs 2,400 and is the only large factory in the area since the disappearance of the town's mining. About 60 per cent of the Linares people are reckoned to depend on it.

Mr Juan Manuel Eguigaray, industry minister, is to meet management today.

Suzuki, which owns about 80 per cent of the company, said it was willing to plough in Pts5.27bn (£25.4m) to cover losses from the start of last year, but no more. The Madrid stock exchange commission suspended trading in Santana shares on Friday.

Unions blamed the Socialist regional authorities, the Madrid government and Suzuki. They accused the company of "blackmail" and of using the workforce as hostages to obtain subsidies.

Nigeria to face debt arrears pressure

By Paul Adams in Lagos and Michael Holman in London

British government officials are expected to express concern about Nigeria's growing external debt arrears, in talks in London today with Mr Kalu Kalu, the country's finance minister.

Arrears on Nigeria's $28bn (£19bn) external debt exceed $6bn and are expected to reach $8.5bn by the end of this year. The military government's decision to revalue the naira in last January's budget and reintroduce an import licensing system has deepened the rift with the International Monetary Fund. Most creditors now rule out an early policy agreement with the Fund, on which debt rescheduling would be conditional.

Mr Kalu, who arrived in London at the weekend, is on a 10-day visit to London, Washington and Paris in an attempt to restore confidence in General Sani Abacha's regime.

Gen Abacha dropped plans for a handover to an elected civilian government, prompting western governments to introduce limited sanctions, including visa restrictions.

During his meetings Mr Kalu will try to convince officials that Nigeria will keep its promise to remove the budget deficit, and that government controls on the economy will be relaxed by the middle of this year.

He is also likely to point out that the decline in oil prices has wiped at least 30 per cent off Nigeria's export earnings in the past 12 months.

Western creditors were dismayed when the 1994 budget pegged interest rates well below inflation, centralised the allocation of foreign exchange and fixed the exchange rate at twice its market value.

Over half Nigeria's external debt and nearly all the arrears are owed to the Paris Club, which has linked debt relief to economic policies approved by the the IMF.

Economists have raised doubts about the forecast balanced budget which makes no provision for servicing domestic debt, which officials estimate at N370bn (£11.5bn).

Mr Kalu, who as finance minister in 1986 argued strongly for economic reforms based on a market-determined exchange rate, has put his reputation at stake since his appointment to the ministry by General Abacha.

Most observers saw the budget as incompatible with the private views of Mr Kalu, who has worked for the World Bank. Many fear that control of policy making is in the hands of a clique of populist politicians who oppose Mr Kalu's prescription for economic deregulation.

Efforts to avert election boycott make no progress

SA right affirms hard line

By Patti Waldmeir in Johannesburg

The murder of 15 African National Congress election campaigners at the weekend cast a shadow over preparations for South Africa's first all-race poll, while constitutional negotiations aimed at averting a right-wing election boycott appeared to have foundered.

An important session of multi-party constitutional talks will go ahead today to pass final amendments to the 1993 constitution in an effort to accommodate the right wing by strengthening the powers of regional governments and creating the possibility of an Afrikaner homeland after the elections.

The African National Congress is to hold last-minute meetings with two of the three members of the right-wing Freedom Alliance – the government of the black homeland of Bophuthatswana and the Afrikaner Volksfront – before today's session, but negotiators were not optimistic.

They said it appeared that the Inkatha Freedom party of Chief Mangosuthu Buthelezi would not accept the amendments, and prospects for persuading the other two groups to contest elections were also slim, though some moderate members of each group might split from their hard-line leaders. This would weaken the right politically, but might not substantially affect right-wing opposition to elections.

The risks of failure were highlighted when two 12-year-olds, 10 teenagers and three young adults were shot and stabbed to death on Saturday before an ANC voter-education drive in the rural Natal village of Creighton. Local ANC chairman Harry Gwala blamed supporters of Chief Buthelezi, who is campaigning for a boycott of the election.

In a fighting speech yesterday to some 20,000 supporters the chief told his supporters they might have to die for their beliefs. He vowed never to submit to ANC dominance, saying an ANC government would oppress his people more cruelly than the white apartheid government had done. "It is far more noble to resist evil and die if necessary for what you believe in than to live in chains," he said.

Chief Buthelezi is not alone in his opposition. Mr Lucas Mangope, leader of the Bophuthatswana homeland, warned in an address on Saturday that he would accept nothing less than self-determination for his Batswana tribe.

"If this means an intensification of the long-running campaign to. . . topple my government then we will fight fire with fire," he said.

Mr Mangope and Chief Buthelezi have joined forces in the Freedom Alliance with white conservatives including former army chief Constand Viljoen's Afrikaner Volksfront. The Afrikaans newspaper Rapport said yesterday it had documents detailing AVF plans for a civil war if the election goes ahead, although the AVF said these were not genuine.

Zulus supporting the Inkatha Freedom party head for a rally in Piet Retief, east of Johannesburg, where King Goodwill Zwelethini urged them to back his struggle for a Zulu monarchy. Reuter

Kenya lifts curbs on borrowing

By Michael Holman in London and Reuter in Nairobi

Kenya has lifted restrictions on local borrowings by foreign-controlled companies, and plans to repeal remaining foreign exchange controls by the end of the year.

The move was announced at the weekend by Mr Musalia Mudavadi, the finance minister.

It is the latest step in a reform programme designed to attract foreign investment, restore confidence among aid donors and revive growth. Earlier in the week, in an interview in Nairobi with the Financial Times, the minister said that the government hoped to remove all foreign exchange controls by the end of the year.

But Mr Mudavadi warned that economic growth would be hard hit by the country's drought. President Daniel arap Moi has appealed for international help for a $60m (£41m) programme to feed about a fifth of Kenya's 26m people.

In his statement lifting the local borrowing restrictions, the minister said: "Commercial banks will be expected to exercise their prudential credit policy in assessing the viability of each borrower."

The statement also allowed unlimited borrowing by Kenyans resident abroad to finance investment in Kenya. This would include working capital provided interest charged did not exceed two percentage points above Libor (London inter-bank offered rate).

Kenyans with foreign exchange earnings, including non-export earnings, may now open foreign currency accounts with banks in Kenya and exporters may hold wholly-foreign retention accounts.

Previously, exporters were allowed to hold 50 per cent of their earnings in hard currency. Mr Mudavadi said existing retention accounts would be converted to resident foreign currency accounts but exporters were still required to surrender proceeds within 90 days of receiving them.

● The International Monetary Fund has told Sudan it has launched the process to terminate its IMF membership, Reuter reports from Khartoum.

The government-owned al-Ingaz al-Watani newspaper yesterday reported that Sudan had, however, been given the chance to answer before a final decision was taken.

The finance minister, Mr Abdalla Hassan Ahmad, said the fund's technical experts would meet soon to consider Sudan's response. Sudan would be the first country to be thrown out of the fund since it was created shortly after the second world war.

Tough decisions lie ahead for Kuwaitis

Oil prices are weak and parliament is strong, reports Mark Nicholson

With oil prices near a five-year low, an unfamiliar sound is emanating from the Gulf states: the creak of tightening belts.

Saudi Arabia began this year pledging to cut government spending by a fifth. Oman said it must trim its budget by 10 per cent. Qatar is cutting where it can. In recent weeks, Kuwait has joined in. Kuwait's finance minister, central bank governor and others have all signalled the need for big cuts in state spending.

Each Gulf government faces a tough task, since either cutting spending or raising revenues through higher fees on state-provided services (income taxes in the Gulf are politically inconceivable) would mark the first time in recent history that these "oil rich" kingdoms, emirates and sheikhdoms have had to face eroding the panoply of benefits each offers their nationals.

Kuwait's task, however, is perhaps the stiffest since unlike its neighbours the government has an elected parliament to deal with. And it already appears that the opposition-dominated National Assembly is in no mood to fall easily in line with the government's austerity calls.

Such calls have been issuing with increasing shrillness from Kuwaiti policymakers – a measure partly of the worsening outlook for state finances, but partly also of the government's appreciation that, for the first time in its experience, it must persuade a strong and recalcitrant parliament. Mr Nasser al-Rodhan, the finance minister, has recently begun using such uncharacteristic Kuwaiti words as "urgent reforms" and "sacrifices".

The reason for such calls is plain enough. Kuwait had already budgeted for a KD1.2bn (£2.7bn) fiscal deficit for 1993-94 before oil prices weakened. In January, however, Mr al-Rodhan revealed that at the mid-point of Kuwait's June-July fiscal year, the state had already reached 67 per cent of the budgeted deficit. Worse, soft crude prices forced the government to revise its calculus for oil revenues – 89 per cent of state income – from 1.74 barrels per day of oil sold at an average $15 a barrel, to 2m barrels a day sold at $10.50 a barrel.

This implies a big cut in revenues, though since the official budget includes neither defence spending nor investment income, it is impossible accurately to forecast the budgetary gap for 1993-94. However, senior officials say they expect Kuwait to manage this deficit from its own resources, partly through domestic treasury bill sales and partly from overseas investment income.

Kuwait's overseas holdings were slashed from just under $100bn before the Gulf war to nearer $35bn today, in a fire-sale to finance the war's costs. But the remaining holdings earned a return of around 30 per cent in 1993, thanks largely to bullish world equity markets. "Last year our assets grew at a rate more than enough to pay for the deficit," says Mr Ali Rashid al-Badr, managing director of the Kuwait Investment Authority.

But problems lie ahead. Kuwait cannot rely on continued buoyancy in world equity markets any more than on a sharp recovery in crude prices. But state spending will rise in 1994-95 as Kuwait starts repaying principal on the $5.5bn syndicated loan taken out after the Gulf war, adding $2.7bn to annual outlays. Under such additional pressure, Kuwait apparently has little option but to cut spending elsewhere, or to raise revenues. Either would mean impinging on the high salaries, subsidised services and other comforts which put Kuwait among the most padded welfare states in the world.

More than 95 per cent of employed Kuwaitis, for instance, work in the public sector. Salaries, accordingly, devour 52 per cent of government spending. Healthcare, power, petrol, water and telephone calls are so heavily subsidised as to be virtually free. But senior government figures believe this is unsustainable. Sheikh Salem al-Sabah, the central bank governor, says: "Kuwaitis will have to suffer over the next two to three years – we have no choice."

The problem will be convincing Kuwait's National Assembly, which, through a combination of its own industriousness and the diminished authority of the ruling al-Sabah family since the Gulf war, has become the most powerful in the state's history. It has already passed laws mandating parliamentary scrutiny of some state investments, has investigated allegations of corruption and mismanagement in Kuwait's Spanish investments and is seeking further to expand its powers of veto and supervision.

Government budget proposals will have to be approved by the National Assembly in spring. But talk of cuts and other radical solutions to Kuwait's economic straits is unlikely to win much sympathy. The government has begun to air such notions as privatisation and direct foreign investment, even in the country's strategic oil industry. But MPs see privatisation largely as a process likely to cost Kuwaitis jobs. Talk of even limited foreign investment in the banking sector was met earlier this month with instinctive cries of "neocolonialism" among MPs.

As for the need to cut spending, or raise state revenues, few MPs seem to consider this message has got across to most Kuwaitis, and fewer show much inclination to be associated with such unpopular decisions. "There's not yet the feeling we must do anything, certainly not that we should make sacrifices," says Mr Abdulla al-Nibari, an opposition MP. He also echoes a widely held view that a government associated with alleged fraud and mismanagement in the state's multi-billion-dollar investments would find itself on shaky ground if it tried to persuade Kuwaitis to cut their living standards.

A tough and perhaps immobilising struggle between the government and the assembly is therefore in prospect. With this in sight, many leaders of Kuwaiti society, particularly senior members of Kuwait's main merchant families, have been lobbying the ruling family to shake up the system and pre-empt a debilitating political impasse. In private consultations with Sheikh Saad al-Sabah, the prime minister and crown prince, they are understood to have expressed disappointment with his apparent inability to impose himself on either his cabinet colleagues or parliament itself.

The next step in what promises to be an intricate ballet by Kuwait's cautious ruling family, its dogged parliament, anxious economic policymakers and some increasingly frustrated merchants may well be a cabinet shake-up. Kuwait newspapers quoted "highly informed sources" earlier this month as saying the 16-member cabinet would be shuffled after the present holy month of Ramadan to enable some much needed "quick decision-making".

All of this is bound to be persuading Kuwait's equally financially pressed neighbours that the last thing they need on top of cash flow problems is an elected parliament.

Amman pact ends Yemen's political crisis

By James Whittington in Amman

An agreement ending Yemen's seven-month political crisis was signed in Jordan yesterday with the aim of averting civil war and the collapse of Yemen's fragile unification between north and south.

The agreement was signed by Yemen's two main leaders, President Ali Abdullah Saleh and Vice President Ali Salem al-Biedh, but Jordan's King Hussein had to literally force the two rivals to shake hands.

The crisis began in August 1993 when Mr Biedh left the capital, Sana'a, in the north for his political base, Aden, in the former South Yemen. Frustrated by what he saw as a centralisation of power in the north, a lack of security in the country and mismanagement of the economy, he threatened to reverse the 1990 union between the two former Yemens unless the government adopted a programme of national reform.

The document signed in Amman goes some way to meeting Mr Biedh's demands but diplomats in Sana'a were not confident it would hold.

King Hussein's mediation in the dispute is being portrayed in Amman as a boost to Jordan's standing in the Arab world after the marginalisation which followed the Gulf war in 1990. The ceremony was witnessed by dignitaries including Mr Yassir Arafat, Palestine Liberation Organisation chairman, in the largest political gathering in Amman since the 1987 Arab League summit.

INTERNATIONAL PRESS REVIEW

South Korea

South Koreans have expressed concern about US press coverage of the North Korean nuclear issue, which at times has been alarmist – such as a detailed scenario for a Second Korean War published in the **New York Times** early this month. Mr Han Soon-joo, the South Korean foreign minister, privately protested about the sensational reporting to US officials when he visited Washington last week.

In an interpretation that reflects traditional anti-US sentiments, some Korean media have suggested that the US press reports are part of a campaign by "American hardliners" to raise tensions on the Korean peninsula. Their goal is to persuade Seoul to buy more US weapons, such as the Patriot missiles that Washington recently announced would be sent to South Korea.

"If a war occurs on the peninsula, the Koreans' survival would be at stake. But a war here would have little effect on the destiny of America across the ocean and would rather serve to boost the sagging business of the US defence industry," said the national **Yonhap** news agency.

That view was also reflected in a cartoon in **Hankuk Ilbo** following North Korea's announcement last week that it would accept renewed international nuclear inspections. It shows customs official waving down a truck bearing Patriot missiles from the US. "Please stop. North Korea has accepted nuclear inspections," says the guard. "Gee, now where am I going to sell them?" replies the driver.

"No one can deny that there has been a disparity between Korea and the US in the perception of the North Korean nuclear issue," said **Dong-Ah Ilbo**. "The US has been dealing with the problem from a standpoint of global strategy aimed at ensuring the stability of the nuclear non-proliferation system. Korea has been handling the issue as a special condition within the framework of relations between the two Koreas."

Chosun Ilbo pointed out that differences between Seoul and Washington also rest on the South Korean perception that it has been sidelined during the negotiations on the nuclear issue, which have focused on contacts between North Korea and the US.

Poland and the Czech Republic

In stark contrast to the hue and cry of the press in Austria, Hungary and Bulgaria about Bosnia, Poland and the Czech Republic have been almost silent this week over Nato's ultimatum on air strikes. As the Nato deadline neared, only the **Gazeta Wyborcza**, a Polish daily read by around 5m Poles, devoted a commentary to the subject. The columnist noted that the threat to use force meant that the "western world was beginning to rebuild its political, military and moral credibility". The paper added that Russia was fighting to retain credibility as a regional power in the Balkans. "After being completely eliminated from the Middle East and after eliminating itself, for lack of money, from the third world, Moscow is now concentrating on organising a sphere of influence in its closest neighbourhood," it said. This, according to the writer, would include Serbia.

Gazeta Wyborcza adds that the Nato threat, if followed through, would be the alliance's first military action since its formation in 1949. It would also mean that Nato would be extending its sphere of influence to Bosnia, a welcome precedent for Poland, which wants to be covered by Nato's umbrella.

While most Czech newspapers approved with reservations Nato's ultimatum, domestic interest has focused on the contrasting views of President Vaclav Havel, who strongly supported Nato's decision, and Prime Minister Vaclav Klaus, who was cool towards Nato involvement. Mr Klaus expressed fears about foreign intervention, warned of rising violence and said he was "fully convinced" that Nato would *not* make air strikes against Serb positions.

As with most things, Czech concerns tend to be predominantly parochial, explaining the considerable coverage given to the dispute.

In an article headlined The Protracted Malaise of Foreign Policy the independent daily **Mlada Fronta Denes** argued "the Czech state cannot afford differences of opinion between its president and premier on the possible bombardment of a not-so-remote European country".

The left-wing **Rude Pravo** warned that subsequent attempts to present the difference as merely one of emphasis could only put into question the reliability of official pronouncements on important issues. And the right-wing **Telegraf** said Mr Klaus's approach had done the Czech Republic no good. "Keeping a certain distance from the conflict does not improve, to say the least, the Czech Republic's reputation abroad," the paper said.

Sweden

The ski-boot is on the other foot, and it hurts. While Norway revels noisily in the glory of staging the winter Olympics in Lillehammer – and the repeated triumphs of Norwegian athletes – neighbouring Sweden is feeling more than a little put out. As the elder of the Nordic countries (Stockholm ruled Norway until 1905), Sweden is unused to seeing its smaller cousins dominate the international limelight. It bowed gracefully last autumn when Norway brought Israel and the Palestine Liberation Organisation together for their historic peace agreement, but magnanimity has been wearing thin over the past week as Norway has stacked up gold medal after gold medal while Sweden has so far won none.

A pained reporter for **Dagens Nyheter**, the biggest selling morning newspaper, bewailed that the relegation of Sweden's Pernilla "Pillan" Wiberg to fourth place in the Super-G slalom had deprived him of the chance to write about "the girl who was to lift us out of the Norwegian vale of tears that Lillehammer signifies for us Swedes". **Expressen**, a tabloid, put it more bluntly: "Swedes only cheer when a Norwegian falls down," it said, introducing an article by an ethnologist analysing why Sweden was doing so badly.

Under a front-page picture in Friday's **Dagens Nyheter** of a failed Swedish cross-country skier wistfully watching Norwegian Bjorn Daehlie collect his gold medal, reporter Ake Ekdahl, his tongue only slightly in his cheek, pointed the finger of blame at Prime Minister Carl Bildt. "Bildt knew last autumn," said the headline as Ekdahl revealed that the government was warned months ago of the coming humiliation of the "blue and gold flag" but did nothing about it. The message was that Sweden should spend more on training its sportsmen and women.

Contributions from John Burton in Seoul, Patrick Blum in Vienna, Christopher Bobinski in Warsaw and Hugh Carnegy in Stockholm

Malay state poll result angers PM

By Kieran Cooke in Singapore

Elections in the East Malaysia state of Sabah have precipitated a battle between local politicians and the federal government led by Dr Mahathir Mohamad, the Malaysian prime minister.

In the weekend elections, the locally based Sabah Unity Party (PBS) narrowly defeated Dr Mahathir's National Front coalition, winning 25 seats in the 48-seat state assembly. But when Mr Joseph Pairin Kitingan, the leader of the PBS and Sabah chief minister for the last nine years, went to be sworn in for another five-year term, he was forbidden entry to the governor's mansion.

Dr Mahathir: police might be forced to intervene

At first the governor, a federal government appointee, was said to be unsure of who to appoint chief minister. He was then said to be sick and unavailable to carry out his duties.

The PBS said there was a plot to deny the party its position as leader of Sabah's government. Sabah is one of only two states in the Malaysian federation which is not aligned with the National Front. Dr Mahathir has made no secret of his antipathy towards the PBS and to Mr Pairin in particular.

Last night, almost 24 four hours after the result was announced, Mr Pairin was still waiting outside the locked gates of the governor's mansion. The governor announced that a swearing-in ceremony would take place on Monday, but did not say who was to be appointed chief minister.

Meanwhile, Dr Mahathir said he had received reports that Mr Pairin had locked up several elected PBS members of the assembly for fear that they would defect to the National Front. "They should be given the right to decide which party to support," said Dr Mahathir.

The prime minister said the police might be forced to intervene if the members were being forcibly detained.

The weekend's events mark another chapter in the colourful and often chaotic politics of Sabah, the former British North Borneo. The PBS has accused the National Front of money politics on a massive scale.

"Money was virtually being thrown from helicopters and distributed freely in coffee shops," said Mr Pairin of the National Front's campaign.

China political repression 'increasing'

By Tony Walker in Beijing

Asia Watch, the international human rights group, has accused China of increasing political repression throughout the country, *especially in Tibet* where most recent arrests have taken place.

A 664-page report documents more than 200 arrests of dissidents in 1993 and is certain to intensify pressure on China at a sensitive moment in its dealings with the West over human rights issues.

The report coincides with a heightened campaign by international human rights organisations to block renewal of China's Most Favoured Nation trading status in the US.

President Bill Clinton, who has called for "overall, significant improvement" in China's human rights behaviour, is due to decide by June whether to renew the MFN status.

China is also under pressure at the current session in Geneva of the United Nations Commission on Human Rights. This is in spite of its recent efforts to *counter international criticism by* releasing well known dissidents.

Mr Sidney Jones, executive director of the US-based Asia Watch, called at the weekend for "continued pressure" on China on human rights issues. His statement reflected concerns that the US is moving towards MFN renewal without securing substantial concessions.

"There is clear evidence such pressure has been effective in the past," he said. "Any move now to abandon that pressure would send a terrible signal to Beijing – open season on peaceful dissent."

Asia Watch said its lengthy report, entitled Detained in China and Tibet, "shows clearly that political repression is increasing, not decreasing, and that it extends to virtually every province in China and throughout the Tibetan plateau."

Among specific Asia Watch criticisms were:

- 1993 was the "worst" year for political arrests since the crackdown that followed the 1989 Tiananmen massacre with 250 cases, compared with last year's release of 37 dissidents.
- 80 per cent of the new political arrests occurred in Tibet, where the authorities embarked on an "intensified" campaign of repression against Buddhist monks and nuns involved in pro-independence activities.
- The number of people detained for "peaceful political and religious activities" is far higher than that 3,317 figure given by China as the number of sentenced "counter-revolutionaries". The authorities say there are "no political prisoners in China".
- Chinese standards of justice remain abysmally low by international standards, with limited prospects of a fair *trial for those accused of* "counter-revolutionary crime".
- Torture is widely practised both to secure "confessions" and to maintain control in China's extensive prison and labour-camp system.

Asia Watch said "a most pressing and immediate need" was to secure regular access for organisations like the International Committee of the Red Cross (ICRC) to work for better treatment of those in detention.

It also called for more determined international efforts to uphold Article 12 of the Universal Declaration of Human Rights and "ensure that no one is arbitrarily detained in the first place".

Patten faces hard week

By Simon Holberton in Hong Kong

Mr Chris Patten, Hong Kong's governor, has arrived back in the colony after an official visit to Australia to be promptly greeted by warnings from China about his plans for political reform.

The criticism from Beijing came as a prelude to an important week for Mr Patten and his proposals for democratic reform in Hong Kong.

The first of two bills enshrining his plans for limited democracy in Hong Kong will be voted on in the Legislative Council (LegCo) on Wednesday. On Friday, he is expected to publish a second, more controversial, bill which provides for more democracy.

Alongside the publication of his second bill, the government is also expected to issue an official account of the failed negotiations between Britain and China on the issue of Hong Kong's political development. These negotiations ended last November after 17 rounds of talks had failed to produce any agreement.

On Wednesday, LegCo is likely to pass Mr Patten's first bill unamended, government officials believe.

Japan tyre production suffers sharp fall

By Paul Abrahams in Tokyo

Tyre production in Japan, the world's second largest market, last year experienced its worst decline since the second world war.

The manufacturers' plight was exacerbated by poor demand, falling prices, and a deteriorating product mix as *consumers bought cheaper* tyres, according to the Japan Automobile Tire Manufacturers' Association (Jatma).

The industry is suffering from rapidly falling demand in the domestic car manufacturers' market as well as the replacement market. Production fell from 166m units to 150m units.

Tyre shipments to domestic vehicle constructors fell 12.1 per cent to 50m units last year. The fall mirrors a 10.2 per cent *drop in Japanese vehicle pro*duction last year, according to recent data released by the Japan Automobile Manufacturers' Association. Japanese vehicle exports collapsed 11.5 per cent last year. Jatma said automotive makers had also been particularly aggressive in driving down tyre prices.

The domestic replacement tyre market also plummeted from 67.6m to 60.9m units. The association added that mass merchandisers, which aggres*sively discount prices, had* increased their share to nearly 20 per cent of the replacement market.

Imports have also been adding to the Japanese industry's troubles. Although imports fell about 5 per cent to slightly less than 14m units, foreign manufacturers increased their share of the market which dropped 9.8 per cent.

The US was the largest importer in 1992 with 5m units, *followed by Australia with* 1.97m units, Taiwan with 1.2m units and Korea with 1m units. Japanese tyre exports fell only 1.2 per cent from 37.4m to 37m, in spite of the strong yen.

Mr Akira Suzuki, Jatma's executive director, said no plants had closed over the last 12 months, but extended maintenance periods had cut operating rates from more than 90 per cent in 1992 to just over 80 per cent last year.

He expected Japanese com*panies to increase manufactur*ing capacity in south-east Asia where costs are lower and demand is rising sharply.

Mobile phone companies win in Pakistan crisis

By Farhan Bokhari in Islamabad

Pakistani businessmen are traditionally inclined to blame political turmoil for their sufferings and commercial difficulties. But political infighting and uncertainty bring the reverse results for the country's two mobile telephone companies.

Mobile phones, previously an important status symbol for Pakistani politicians, have become invaluable political tools for times of crisis when politicians have to outsmart their rivals.

Next Wednesday's vote of no confidence against Mr Sabir Shah, Chief Minister of the North West Frontier Province, has put politicians at loggerheads. However, the phone companies are expecting a 15 to 20 per cent increase in revenues. The move to oust Mr Shah has the support of Ms Benazir Bhutto, prime minister, and may end with the chief minister's downfall. Mr Shah is backed by the Moslem League party of Mr Nawaz Sharif, the opposition leader.

Tempers have been running high. Mr Sharif's supporters have warned of an armed confrontation and some have urged their followers to physically resist any move to replace the Shah government. Both sides have accused each other of "horse-trading" and efforts to bribe MPs to make them change sides.

"Mobile phones help to minimise horse-trading. Members of the house can be taken away to safe places. They can still keep in touch with friends, but its much harder for anyone to approach them and offer money," says an opposition MP in Islamabad. "Every political being wants a mobile phone. They feel that it can't be tapped. They feel secure about it," says Mr Iftikhar Gillani, another opposition MP.

However, mobile phones remain beyond the reach of ordinary Pakistanis. The two companies – Paktel and Instaphone provide a service to only *25,000 clients – a tiny proportion* in a population of 120m.

Charging between Rs1,000 (£22.50) and Rs2,000 in a flat fee allowing up to 450 minutes of free airtime per month, the mobile companies are almost three times as expensive as the conventional phone network. But costs are not deterring new investors from entering the market – a third phone company is expected soon.

Seeking a safe grave for deadly remains

George Graham assesses an international tussle over how to dispose of spent uranium acceptably

Weighed against the hundreds of tonnes of plutonium and bomb-grade uranium now being recovered from nuclear reactors and missiles around the world, 17.5 tonnes of highly enriched uranium from a few dozen European research reactors might seem small.

But a five-year gap, during which the US stopped taking back the spent HEU it had supplied to these reactors, has created a crisis with ramifications far beyond the world of nuclear research.

The row over spent fuel has its origins in a bargain struck by the US, in the 1950s, and renewed in the Nuclear Non-Proliferation Treaty. To discourage other countries from embarking on nuclear bomb research, the US would help them to benefit from non-military applications of nuclear technology, such as the production of medical isotopes or neutron-scattering investigations of the structure of metals or ceramics.

To keep highly enriched uranium, which fuels some research reactors and which could be used to make a nuclear bomb, in safe hands, the US agreed to take back the used fuel that it had supplied.

In 1978, it went a step further, with the Reduced Enrichment for Research and Test Reactors programme, or RERTR, under which operators of reactors were encouraged to convert from HEU to low-enriched uranium which could not be directly used for bombs.

RERTR has had considerable success, and only four European research reactors have not begun at least to convert to LEU. "It's one of the unsung victories of non-proliferation," says Mr Alan Kuperman of the Nuclear Control Institute, a Washington anti-proliferation group.

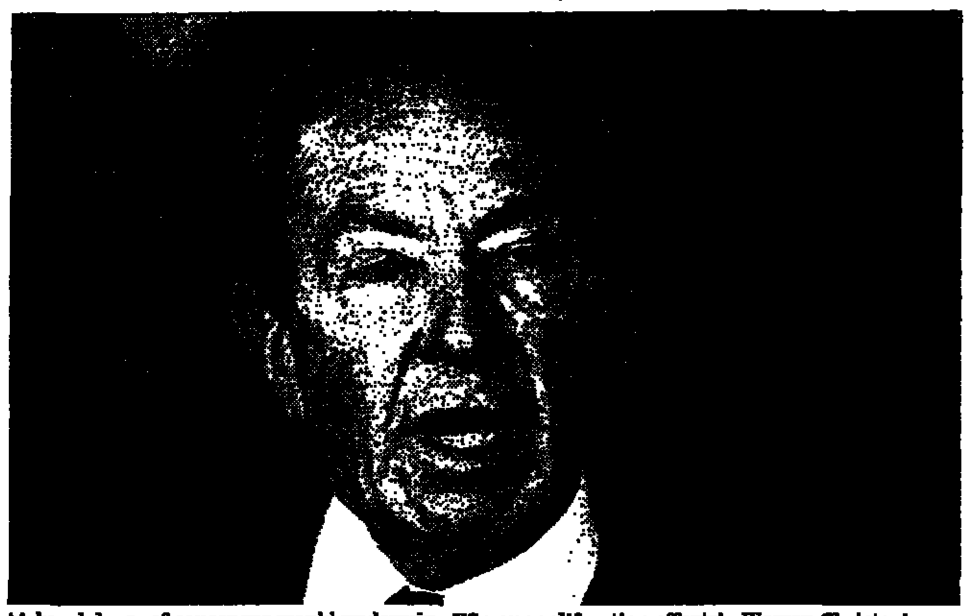
In 1988, however, the US left European reactor operators in the lurch when it stopped accepting spent HEU, after a law suit brought by the Sierra Club, a San Francisco-based ecology group, had challenged the environmental safeguards surrounding the disposal of the fuel.

The US State Department pressed hard for a resumption of the spent fuel programme.

"A breakdown of the international consensus on conversion of research and test reactors to LEU, and a return to an HEU fuel economy, would undermine 15 years of intensive US non-proliferation efforts on this matter and substantially reduce the ability of the US to influence nuclear policy in bilateral and international fora," Mr Warren Christopher, secretary of state, warned.

But the US Energy Department let the standstill on accepting spent fuel drag on until last summer, when Mrs Hazel O'Leary, energy secretary, announced a new three-part policy. This comprised:

- A special waiver of environmental review requirements for reactors facing a real emergency.
- An accelerated environmental assessment to allow the US to take back a limited amount of spent fuel from reactors facing near-term difficulties.
- A full environmental impact statement to allow the US to resume taking back all the spent HEU it has supplied, and to take back spent LEU for a 10-year period as an incentive to more reactors to convert from HEU to LEU.



'A breakdown of consensus would undermine US non-proliferation efforts' - Warren Christopher AP

The environmental assessment, due to be completed by the end of next month, proposes the acceptance of 448 spent fuel elements from reactors in Austria, Belgium, Denmark, Germany, Greece, the Netherlands, Sweden and Switzerland, for storage at the Energy Department's Savannah River facility in South Carolina.

The nine reactors face a variety of problems that mean they cannot wait until the longer environmental impact statement, covering the acceptance of about 15,000 fuel elements, has been completed at the end of 1995. Some have simply run out of storage space for spent fuel; others face regulatory constraints.

They could be pushed into abandoning the RERTR programme and converting back to HEU, or could be forced to shut down.

Two operators, Germany's GKSS and Belgium's SCK/CEN, have already resorted to shipping spent HEU for reprocessing at the UK Atomic Energy Authority's Dounreay plant, in Scotland.

Although Mrs O'Leary gave emergency clearance for SCK/CEN last year, the Belgian reactor chose Dounreay.

US officials say they have no qualms about the physical safety of Dounreay but they worry that reprocessing, which the US itself abandoned in 1988, would perpetuate the use of HEU.

The Belgian plant cannot convert to LEU for technical reasons involving the level of neutron flux it requires, but is frustrated at the difficulties of dealing with the US as a supplier of fuel.

"We prefer to continue to be supplied by the US but, if these discontinuities persist, we may have to look to other suppliers, including Russia," warns Dr Carl Malbrain, director general of SCK/CEN.

GKSS has converted to LEU, which cannot be reprocessed, but has told the US that it has so little faith in its long-term reliability that it may shift back to HEU so that it can continue to use Dounreay.

For many plants, however, converting back is not even an option, because the Dounreay plant has to send back the resulting reprocessed fuel and radioactive waste to the country of origin.

This rules out countries such as Denmark and Austria, which do not use nuclear power and so have no plan for long-term storage of highly radioactive waste.

"We are extremely dependent on a solution that is basically doing what we were doing for the last 20 years," says Dr Klaus Singer, director of the Risoe reactor in Denmark.

European reactor operators say there has been a noticeable improvement since the Clinton administration took over in the US at the beginning of 1993, though they are unsure as to whether this is due to new people and policies or because the problem had become so serious that it could no longer be avoided.

They were encouraged by a meeting in Washington 10 days ago about the short-term acceptance of their spent fuel, but many doubt whether the longer-term environmental impact statement will be completed on time in 1995.

"It may take longer, like everything the Department of Energy has dealt with so far. That's why there is a mixture of optimism and pessimism: there is no reason for not being optimistic about the long-term outcome, but it will take time," says Dr Singer.

Venezuela bank head named as depositors fume

By Joseph Mann in Caracas

The Venezuela government yesterday named Mr Gustavo Roosen, president of the country's national oil company PDVSA, to head its intervention board at Banco Latino, the second-largest Venezuelan bank, which failed last month.

He will have to face the increasingly militant demands of depositors seeking access to their funds and try to carry out a government plan to re-float the bank.

Mr Roosen's term as head of PDVSA, one of the world's largest oil companies, was about to expire. President Rafael Caldera, who took office on February 2, has not yet named a successor.

Before he took the top job at PDVSA, Mr Roosen was education minister and a senior executive at Empresas Polar, one of the world's largest beer producers.

The appointment of Mr Roosen, a respected manager, represents a positive step for the new administration, which is facing a spate of economic, financial and social problems.

However, still with the unfolding banking crisis, Mr Caldera is also grappling with political opposition to his efforts to replace the superintendent of banks and the head of the deposit guarantee fund (Fogade).

The failure of Banco Latino sent has shock waves through Venezuela's financial system. The government has had to use scarce financial resources to repay many small depositors at Banco Latino and support other banks that suffered from unusually large withdrawals in the wake of the Banco Latino closure on January 14.

The government said last week that four other financial institutions had received large sums of official financial assistance due to liquidity problems.

Although neither the government nor the banks will say so publicly, this amounts to a technical intervention in the institutions, which include three commercial banks and another financial entity.

Major and Clinton to meet next week

By George Graham in Washington

US President Bill Clinton and Mr John Major, UK prime minister, are to meet next Monday in Pittsburgh, in a gesture to the time spent by Mr Major's father and grandfather in that area.

The two will travel back together from western Pennsylvania to Washington. Mr Major will then spend the night at the White House, as the first foreign leader to be invited to do so since Mr Clinton took office.

"I know the president is looking forward to it," a White House official said.

The arrangements for Mr Major's visit are seen as an effort to smooth over the apparent rift between the US and the UK.

Besides differences of political philosophy between Mr Clinton and Mr Major, their two governments have appeared at odds over Bosnia.

Also, friction was exacerbated by the Clinton administration's recent decision to allow Mr Gerry Adams, the Sinn Fein leader, to visit the US this month.

Mr Major's father, Tom Ball, sailed from Liverpool to Philadelphia in the 1880s with his father, a master builder who worked at the Carnegie steel works in the foothills of the Allegheny Mountains.

Peace talks with Mexican rebels to start today

Peace talks between the Mexican government and the Zapatista rebels are scheduled to begin today, in an effort to persuade the rebels to end formally a conflict which began on January 1 with the seizure of half a dozen towns in the southern state of Chiapas, reports Damian Fraser in San Cristóbal de las Casas.

However, there were few indications yesterday of an early agreement as significant differences remained between the two sides. The peace talks are to take place in the cathedral of San Cristóbal de las Casas, in Chiapas.

Yesterday, Zapatista delegates, including Sub-commandant Marcos, the rebels' military strategist, arrived in San Cristóbal. They will spend the night there before starting negotiations with Mr Manuel Camacho Solís, the government's peace envoy.

A truce has held for more than five weeks but the continuing presence of armed Zapatistas has destabilised Chiapas, displaced an estimated 20,000 people from their homes, and inspired opposition to the government throughout the country.

Sub-commandant Marcos said that the Zapatistas would only lay down their arms after the government had enacted national democratic reforms and agreed to broad political autonomy for regions of Mexico populated by indigenous people.

He suggested that, while such changes were not made, the Zapatistas would not sign a peace accord.

Mr Camacho said that he could not negotiate with armed rebels on such issues and that to do so would not guarantee peace in Chiapas. "A solution that is only aimed at the Zapatista army would destabilise Chiapas. There has to be a solution that satisfies the Zapatista army but also meets the concerns that are fundamental for other sectors," he said.

The government seems to intend to offer rebels some land, greater economic aid for the region, and perhaps changes among some local political leaders. Mr Camacho believes that any further concessions might undercut support within the government for the peace process and lead to a conservative backlash.

"These negotiations will be very difficult. These are people who took the decision to begin an armed struggle and for whom political negotiation is a total change of strategy," Mr Camacho said.

British Steel may face legal move on prices

By Andrew Baxter

Steel fabricators are considering legal action against British Steel after the company was fined Ecu32m (£24.3m) by the European Commission last week for allegedly taking part in a cartel that rigged the market for beams and girders.

The fabricators – which buy beams from British Steel, cut and weld them and then erect them on building sites – have asked their representative organisation, the British Constructional Steelwork Association, to see whether there are grounds for legal action.

Mr Derek Tordoff, association director, said member companies were worried that they may have paid too much for the beams during 1984-1990, when the commission says a well-organised cartel was operating.

But British Steel, which is planning to appeal against the commission's judgment, said the facts did not support any legal action by the fabricators.

The association hopes to discuss the issue with British Steel, which is the only UK supplier of beams used in construction. It makes them at its works on Teesside, northern England.

Mr Tordoff stressed that the association was not trying to pick a fight with British Steel and admitted it was in a delicate position.

The steelmaker, the association and its members have successfully worked together to market steel frames in buildings. Last year, they were used in 62 per cent of buildings of two or more storeys compared with 30 per cent in 1980.

Additionally, both the fabricators and British Steel are fighting steel subsidies in Spain and Italy which are underpinning imports of fabrications into the UK market.

It is understood some fabricators believe they may have been paying £50 a tonne too much for their beams from 1984 to 1990. For a small operator using 30,000 tonnes over that period, the overpayment would have been £1.5m.

However, British Steel says effective UK prices for beams rose only by 9 per cent from 1986-1990, less than the rise in the retail prices index. It said the fabricators' problems stemmed from the recession, which had caused business to dry up after the period when the cartel was alleged to have operated.

Postal workers reject deal on productivity

By Robert Taylor,
Labour Correspondent

Britain's postal workers have decisively rejected a national productivity plan to improve the Royal Mail's efficiency and make it more commercial in preparation for its eventual privatisation.

In a secret postal ballot they voted against the deal, against the advice of their union, the Union of Communication Workers.

Only 33,194 supported the productivity plan, while 37,667 rejected it. A total of 71,444 union members out of 128,874 returned completed ballot papers.

Union leaders, deeply embarrassed by the rejection, are today due to meet Royal Mail executives to discuss next moves. Mr Alan Johnson, the UCW's general secretary, said yesterday: "We need a period of calm reflection."

At national level the UCW leadership has been working very closely with the Post Office to make the organisation more commercial. The union's national leadership has been willing to co-operate with the introduction of more flexible working practices in sorting offices and mail delivery. The productivity deal would have created a framework for local deals to introduce more flexible shift patterns and working practices in sorting offices.

In the aftermath of the unexpected defeat, union officials fear the Royal Mail management may impose changes without union consent, in breach of national agreements with the UCW. This could involve the unilateral withdrawal by management of a number of interim productivity agreements which came into force six years ago. UCW leaders are concerned that as a result of the deal's defeat the Royal Mail will also refuse to negotiate any further on the introduction of a shorter working week.

Mr Johnson said initial reports from the union's branches around the country suggested many postal workers had found the proposed productivity scheme "too complicated and half-baked". The UCW hopes further talks can improve the deal.

Under the negotiated deal that was rejected nearly half the postal workers would have benefited financially from an increase in minimum pay rates. On top of the basic 1.5 per cent pay rise, they would have received a further 1.5 to 1.6 per cent by agreeing to the productivity changes.

This would have ensured the lowest paid in the Royal Mail would have received an increase in their basic pay which was twice the current rate of inflation.

Over the past twelve months both the union and the Royal Mail have made strenuous efforts to work together in improving efficiency in the Post Office, as both are acutely aware of the highly competitive and vulnerable position the Post Office finds itself in.

● One in five British workers now spends at least some time working from home, but most employees are not encouraged to do so, British Telecommunications said yesterday.

BT said just two in five of 500 full-time workers interviewed by Gallup would be prepared to work from home, but nearly three-quarters said they received little or no encouragement from their employers.

Determination over Ulster talks

By Michael Cassell

The British and Irish governments yesterday insisted that neither Sinn Féin nor the hardline Democratic Unionist party will be allowed to hold up the next phase of talks on the future of Northern Ireland agreed at the weekend by the two countries' prime ministers.

Mr Albert Reynolds, the Irish premier, said he believed there were "still grounds for reasonable hope" that Sinn Féin would respond positively to the Downing Street peace declaration. But he stressed that talks – to be based on the document – would not wait for its decision. He added: "We are ready to go at any time".

His suggestion that Rev Ian Paisley's DUP would also be be unable to veto political progress was immediately backed by Sir Patrick Mayhew, Northern Ireland Secretary. Sir Patrick said: "We should not permit the process to be halted by the action of those who are eligible to join in but who say no we are not coming". The DUP has refused to join the talks until London abandons the Downing Street declaration.

Mr Reynolds said both sides now had a clearly agreed starting point for the next talks, which would embrace the so-called three-stranded process. He said he believed the mainly-nationalist Social Democratic and Labour party, which has not yet committed itself to the talks, would be "content and happy" with the outcome of the weekend talks.

It is understood that the SDLP, in an unpublicised session, met Sir Patrick last week to discuss his "check-list" of ideas for progress which have been submitted to Dublin.

Although London has, in return for assurances about the scope of the talks, persuaded Dublin to commit itself to pressing on, both governments will maintain a low-key approach at least until after Sinn Féin's annual conference next weekend. Though the conference is not expected to decide on the declaration, it will provide an opportunity to gauge opinion within the republican movement.

Sir Patrick's "check-list" will now form the focus of discussions at official level between the two governments. The next steps will then be discussed at the intergovernmental conference scheduled for March 10.

Irish premier Albert Reynolds at Saturday's rugby international at Twickenham, where Ireland defeated England 13-12 Picture: Reuter

Warning on costs of EU 'green' law

By Bronwen Maddox,
Environment Correspondent

The costs to British companies of complying with European Union environmental policy are continuing to rise and will run into billions of pounds, according to a report published today.

Mr Adrian Wilkes, author of the report by Environmental Policy Consultants, a London-based consultancy, says: "A torrent of policy proposals are about to be unleashed, presenting British business with an unprecedented challenge".

The survey, which identifies 96 environmental policy proposals in the pipeline, says that all companies will be affected by tightening controls on pollution, the need to use energy more efficiently, and requirements to disclose information.

It suggests, on the basis of industry estimates, that new rules will mean that it will cost £7m to test chemicals to European environmental safety standards, and that new controls of vapour at petrol stations will cost £40,000 to £60,000 per station.

The report also argues that phasing out HCFCs – chemicals which deplete the ozone layer of the atmosphere – could cost the UK food industry £500m.

"Britain's political campaign to stop the momentum of Brussels policy-making has failed", said Mr Wilkes.

Ten days ago Mr Ioannis Paleokrassas, the EU's environmental commissioner, repeated his refusal to give the UK more time to comply with water directives.

The UK water industry's investment programme, much of it prompted by European environmental rules, could reach more than £40bn this decade.

However environmentalists yesterday attacked the report's conclusions. Mr Andrew Lees, campaigns director of Friends of the Earth, the pressure group, said "it is the member countries and the European Council of Ministers who are driving this regulation along – it is wrong to blame the Commission".

He added: "I think the Council of Ministers is vulnerable to short term considerations of industrial competitiveness, and it may fail to recognise the long term costs to European economies that environmental damage will bring".

EC Environmental Policy Monitor; Environmental Policy Consultants; £125.

Britain in brief

Accountants hit by more legal claims

Britain's six largest accountancy firms were hit by about 600 legal claims last year and paid out up to 8 per cent of their audit income on costs related to legal actions.

The number of claims has risen sharply in the last few years, following growing litigation against auditors in the US, much of it considered by the profession to be speculative and unjustified.

The figures were compiled for two separate studies as part of a campaign to reform the law of unlimited liability on auditors and will be submitted to the UK Department of Trade and Industry.

A working group on litigation reform of the Institute of Chartered Accountants in England and Wales tackling litigation claims says the average claims in the largest three lawsuits last year were nearly £500m, compared with £40m 10 years ago.

The figures exclude the exceptional claims for more than $8bn relating to the collapsed Bank of Credit and Commerce International.

Increased bid for Independent

The consortium backed by Mirror Group Newspapers yesterday increased its bid for Newspaper Publishing, owners of The Independent and the Independent on Sunday, in an effort to gain a majority stake in the company.

The bid was increased from 261.6p to 350p a share, matching the sum paid earlier this month by Mr Tony O'Reilly's Independent Newspapers of Ireland, for 24.99 per cent of the company. The increased bid values Newspaper Publishing at £73.65m.

The consortium already controls just under 48 per cent of Newspaper Publishing and is hoping the new offer will enable it to secure more than 50 per cent.

Apart from MGN, the consortium includes Newspaper Publishing's two largest existing shareholders, El Pais of Spain and La Repubblica of Italy, and a group which founded the newspapers led by Mr Andreas Whittam Smith, editor in chief.

Bank upbeat on economy

The UK economy is strong enough to withstand April's tax rises, according to Barclays Bank, despite last week's poor economic statistics which raised doubts about the recovery's sustainability.

In an upbeat economic review, published today, Barclays said that interest rates are close to their low point and are unlikely to go below five per cent.

Barclays predicts growth in UK gross domestic product of 2.7 per cent this year, rising to 2.9 per cent in 1995. Inflation is forecast to reach 3.2 per cent by the end of this year and to stand at 4.2 per cent by the end of 1995.

Uncertainty in manufacturing

The number of jobs in British manufacturing industry is continuing to fall and the outlook for manufacturing employment continues to look uncertain, says a report on employment trends in the last quarter of last year published today by the AEEU engineering union.

The report, based on reports from the union's local offices says that only one company in the survey had any job vacancies in the October to December period of last year while 15 per cent of them made redundancies over the same month.

The survey also found a fall in the number of company order books reporting good prospects. They dropped to 17.6 per cent in the fourth quarter, down from 27.8 per cent in the previous three months and the worst recorded figure since the survey began at the beginning of 1993. The survey sample is based on companies covering over 40,000 employees.

Recovery seen in motor cycles

UK motor cycle sales should bottom out this year at about 40,000 units, ending nearly 15 years of decline from the 315,000 in 1980, the Motor Cycle Industry Association said yesterday.

The year has already got off to a relatively good start with January sales rising 11.8 per cent to 2,626 compared with the corresponding month a year earlier.

Industry research shows that half of all riders are now classified in the top three socio-economic groups and that the average age of motorcyclists has risen sharply, with more than 70 per cent aged 26 or over.

THE WEEK AHEAD

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Chrysalis Grp., Kensington Hilton, Holland Park Avenue, W., 11.00
Southern Business Grp., Queens House, Ullswater Crescent, Coulsdon, 11.00
BOARD MEETINGS:
Finals:
City Merchants High Yield Trust
Grosvenor Dev. Cap.
Guardian Royal Exchange
Korea Lib. Fd.
Low & Bonar
Unilever
Interims:
Ashtead
Conrad
Essex Furniture
FII
Johnson Fry Utilities
Wills

■ **TOMORROW**
COMPANY MEETINGS:
Archimedes Inv. Tst., Royex House, Aldermanbury Square, E.C., 12.30
Intercare Grp., *Piccadilly* Hotel, Piccadilly Plaza, *Manchester*, 12.00
Kershaw (A), 6, Connaight Place, W., 12.00
LPA Inds., Eight Bells, High Street, Saffron Walden, Essex, 12.00
London & Clydeside, Kelvin Park Hotel, Glasgow, 12.00
BOARD MEETINGS:
Finals:
Grafton
Regina
Sedgwick
Shires High Yield
SmithKline Beecham
Temple Bar Inv. Tst.
Interims:
Bellwinch
Community Hosp.
Eaglet Inv. Tst.
Haggas (John)
Henderson Eurotrust
Macro 4
Nth. American Gas Inv. Tst.
Pifco
River & Merc. Smaller Co's.
Stewart & Wight

■ **WEDNESDAY FEBRUARY 23**
COMPANY MEETINGS:
Acatos & Hutcheson, Tallow *Chandlers Hall*, 4, *Dowgate* Hill, E.C., 11.15
Carlton Communications, Armourers Hall, 81, Coleman Street, E.C., 11.00
First National Finance Corp., Barber-Surgeons Hall, Monkwell Square, Wood Street, E.C., 12.05
Holmes & Marchant, Brands House, Kingshill Road, High *Wycombe, Bucks., 10.00*
Rank Org., Odeon Cinema, Marble Arch, W., 11.30
BOARD MEETINGS:
Finals:
British Aerospace
Capital & Counties
Dunedin Income & Growth
Fairway
National Westminster Bank
Oriental Smaller Co's.
Porvair
SKF
Serif
TR High Inc. Tst.
Transatlantic
Interims:
Alliance Res.
Fletcher Challenge
Gencor
Mins. Oils & Res.
Pacific Horizon Inv. Tst.
Tottenham Hotspur
Towry Law

■ **THURSDAY FEBRUARY 24**
COMPANY MEETINGS:
Countryside Properties, The Brewery, Chiswell Street, E.C., 12.00
Electronic Data Processing, *Tapton Masonic Hall*, *Shore* Lane, Sheffield, 12.00
RCO Hldgs., 20, Old Bailey, E.C., 3.00
Trafalgar House, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 3.00
BOARD MEETINGS:
Finals:
British Gas
Edinburgh Oil & Gas
European Smaller Co's.
London Fin. & Inv.
Merlin Intl. Green
Provident Financial
Royal Dutch Petlm.
Royal Dutch Shell
Royal Ins.
Shell Trans.
Telegraph
Interims:
Eleco
Flogas
Middle Witwatersrand
Quayle Munro
Regent Inns
TNT

■ **FRIDAY FEBRUARY 25**
COMPANY MEETINGS:
Bearing Power Intl., Institute *of Directors, 116, Pall Mall*, S.W., 10.30
BOARD MEETINGS:
Finals:
Astra AB
Baillie Gifford Shin Nippon
Horace Small Apparel
Interims:
Goodwin
Honeysuckle
Isotron
Usher (Frank)

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ ***TODAY***
Bulmer (HP) 4p
Chugoku Elect. 7% Nts. 1997 $350.00
Control Techniques 5.15p
Druck Hldgs. 3.7p
Electra Inv. Tst. 3.55p
Greenalls 7.28p
IAWS IR1.1p
Jusco 8% £/$ Cv. Bd. 1996 £80.0
Nova Scotia 11⅝% Bd. 1995 C$116.25
Polar 2.85p
Seeboard 3.3p
Smith & Nephew Fin. 8¾% Gtd. Rd. Pf. 2004 £0.8944
Tesco 8¾% Bd. 2003 £10.50
Toyobo FRN 1999 Y65513.0
Wagon Indl. 6.325p
Westland 3.25p

■ **TOMORROW**
Aon Corp. $0.45
Debenham Tewson & Chinnocks 1.5p
Exchequer 12½% 1994 £6.25
London & Clydeside 3p
MBE Fin. Gtd. Dual Basis bd. 2002 $10171.88
NFC 7¾% Cv. Bd. 2007 £38.75
Sea Containers Class A $0.1925
Do. Class B $0.175
Stanley Leisure 1.75p
Trustco Fin. 11½% Sev. Db. 2016 £5.75
TSB *Offshore Inv. Ptg. Rd. Pf.* Gilt & Fxd. Int. 1.45p
Do. Stlg. Dep. 1.28p
Wells Fargo $1.0

■ **WEDNESDAY FEBRUARY 23**
Barclays Bank Und. Fltg. Rate Prim. Cap. Nts. Ser.2 $182.08
Canadian Imperial Bank of Commerce Fltg. Rate Sb. Cap. Db. 2085 $182.08
Denmans Elect. 4.5p
Gold Fields Property R0.32
HSBC Prim. Cap. Und. FRN (Ser.1) $127.78
LPA Inds. 0.8p
Merrill Lynch $0.20
Nationwide Bldg. Scty. 4¼% I.L. Ln. 2024 £2.8107
New Wits R0.17
Treasury 2½% I.L. 2011 £2.36
Vogels Metal R0.20
Westpac Banking Sb. FRN 1997 $188.47

■ **THURSDAY FEBRUARY 24**
Allied Irish Banks Und. Var. Rate Nts. $121.39
Assoc. Nursing 0.5p
Burton 8% Cv. Un. Ln. 1996/2001 £4.0
Burtonwood Brewery 0.7p
Commonwealth Bank of Australia Und. FRN Feb.1989 $178.76
Denmark (Kingdom of) FRN 1998 £133.90
Leeds Permanent Bldg. Scty. FRN 1997 £138.79
Royal Bank of Canada C$0.29
Savills 0.75p
South Wales Elect. 7.5p
Triplex Lloyd 2.5p
Wells Fargo Fltg. Rate Sb. Nts. Feb.1997 $134.17

■ **FRIDAY FEBRUARY 25**
Allied-Lyons 7.3p
Do. 10⅝% Bd. 1999 £531.25
Aluminium Co. of America $0.40
Avon Rubber 11.5p
Bank of Montreal C$0.30
Beales Hunter 2.55p
Bespak 4.2p
BPB Inds. 7¼% Cv. Sb. Bd. 2008 £36.25
Bradford & Bingley Bldg. Scty. FRN 1996 £139.26
British Land 2.45p
British Thornton 2.5p
Burton Grp. 1p
Carpetright 2.7p
CSFB Fin. Gtd. Sb. FRN Aug.2003 $28.11
David Lloyd Leisure 1.95p
Eaton Corp. $0.30
Gartmore Scotland Inv. Tst. Inc. 2.4p
Do. Units £6.0
Grainger Tst. 4.05p
Halifax Bldg. Scty. Cllrd. FRN 2003 £352.88
Hunters Armley 2.5p
Kenwood Appliances 3p
Lydenburg Platinum R0.44
M & W 1.9p
MFI Furniture 1.33p
Merchants Tst. 2.85p
Murray Int. Tst. 2.7p
Nippon Sanso 6.4% Nts. 1997 Y640000.0
Do. 6.4% Nts. 2000 Y640000.0
Norsk Hydro 9% Nts. Feb.1994 $90.0
Royal Bank of Scotland 8p
Sage Grp. 6.6p
Southend Property 0.8p
TSB Gilt Fd. Ptg. Rd. Pf. (Class B) 0.66p
Treasury 8¾% 2017 £4.375
Turkey Tst. 3p
Zetters 4p

■ **SATURDAY FEBRUARY 26**
Treasury 10% 2001 £5.0

■ **SUNDAY FEBRUARY 27**
Dalei 6.4% Bd. 2002 Y640000.0

CONFERENCES & EXHIBITIONS

FEBRUARY - DECEMBER
Benefiting from Software
A two-day workshop for users and IT *professionals on how to adopt a solutions* oriented approach to evaluating and selecting software and computer solutions. Designed to reduce risk, achieve benefits, optimise selection and purchasing, provide a consistent and manageable process. Full case study.
Contact: Barnes Associates
Tel: 0565 755714 Fax: 0565 650950
ON-SITE IN-HOUSE

FEBRUARY 24
EIS & Competitor Intelligence: Developing Competitor and Business Intelligence Systems for Managers
Conference explores how EIS and related systems can improve the quality, scope and relevance of external information provided to managers. It discusses the intersecting roles of the various contributors and stakeholders in this process.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

FEBRUARY 24
Life Cycle of a Family Business
Family businesses start with an entrepreneurial idea but over time *stagnation and decline may occur*. This evening seminar demonstrates an analytical tool to help businesses establish where they are in the life cycle and what steps to take to avoid strangulation of the business.
Contact Diane Deacon, Centre for Family Business Tel: 071 486 5888
LONDON

MARCH 1
Project Financing in Hungary, Poland and the Czech Republic
This seminar will review the case study of the M1/M15 Toll Motorway Project in Hungary and legal issues in project financing in Poland and the Czech Republic. Contact: Baker & McKenzie, 100 New Bridge Street, London EC4V 6JA.
Tel: 071 919 1000 Fax: 071 919 1989
LONDON

MARCH 1 & 2
Increasing Business by Telephone
March 1 - Incoming Call
March 2 - Outgoing Call
Whether dealing with incoming enquiries or proactive sales calls to existing or potential customers, delegates learn how to maximise the potential of every call. *£195 + VAT per day* inclusive of materials and refreshments. Book both days together for same delegate for £50 reduction - £340 + VAT.
Contact: STRUCTURED TRAINING 0926 337621
LONDON

MARCH 2
Emerging Markets 1994 and beyond...
An independent conference, not promoting institutional funds. World's top specialists from the *US, Singapore,* Netherlands and UK outline their new strategies for 1994 and beyond; re-assessing the global market, after recent performance. Keynote speaker: Dr Mark *Mobius. Profiles* on Turkey and international smaller companies.
Venue: Savoy Hotel, London.
Details: Imperator *Financial Conferences*
Tel: 071 256 5364 Fax 071 638 3365
LONDON

MARCH 2
Preserving *Family* Culture in Transition
When ownership changes are contemplated, a major consideration is the wish to preserve the family culture and the values attached to it. This seminar examines the values which constitute a culture and how these impact upon profit; whether or not these values differ from those of the succeeding *generations* and the obligation of new management to continue with that culture.
Contact Diane Deacon, *Centre for Family* Business, 071 486 5888
LONDON

MARCH 2 & 3
World Trade After GATT
Skinners' and Stationers' Hall
This conference featuring Lady Thatcher, Sir Leon Brittan, Jack Valenti, Sydney Gillibrand, Arthur Dunkel, Colin Sharman and Haruko Fukuda, looks at the issues for and the prospects of Europe and its *competitors. Begins with dinner on 2* March and continues on 3 March. Details from Marc Lee, Cityforum Ltd.
Tel: 0225-466744 Fax: 0225-442903
LONDON

MARCH 3
Outsourcing the Company Car
This half-day conference, held in association with Lease Plan UK Ltd, will look at what outsourcing can offer companies with large car fleets and how it differs from contract hire arrangements.
Enquiries: Director Conferences
Tel: 071 730 0022
LONDON

MARCH 3
JETRO Europe Seminar
Queen Elizabeth II Conference Centre
An afternoon seminar concentrating on the developments for UK based *businesses within Europe. Speeches by* Arthur Dunkel and Howard Davies. Additional speeches by senior *representatives from Clifford Chance,* McKinsey and Co. and Credit Suisse First Boston. Organised by JETRO and Clifford Chance. Price: £80 per person inclusive. Details from Carol Lin, Ian Maybin
Tel: 071 493 7226 Fax: 071 491 7570
LONDON

MARCH 4
Russian Land Ownership - Developments in Russian Land Law
Update on legal developments & practical implementation of land privatisation. Speakers from Pepper, Hamilton & *Scheetz USA/Moscow/London, Ferguson* Hollis London/Moscow & official from St Petersburg.
INTERFORUM Tel: +44 (0) 71 386 9322
Fax: +44 (0) 71 381 8914
LONDON

MARCH 7
Financing *buy-ins and* buy-outs in Europe
This seminar will survey legal issues of buy-ins and buy-outs within Europe.
Contact: Baker & McKenzie,
100 New Bridge Street,
London EC4V 6JA.
Tel: 071 919 1000 Fax: 071 919 1989
LONDON

MARCH 7, 8, 9
Devising a Regional Transport Strategy
A conference looking at a South East Transport Strategy in a national context. Promoted by *SERPLAN*, speakers incl *Rt.* Hon John MacGregor OBE MP, Steven Norris MP, David Curry MP. Issues incl land use, investment criteria, private finance, road charging, congestion, demand management, regulatory *control*, DRIVE, green issues & London's transport needs. Contact:
Iain Dale, The Waterfront Partnership
Tel: 071 730 0430 Fax: *071 730 0460*
LONDON

MARCH 8
In-Town or *Out-of-Town?*
CITY CENTRE OR BUSINESS PARK? - *One day* CBI relocation conference for personnel, facilities and finance professionals takes practical look at options including case studies, business property trends and financial assistance. Sponsored by *Cardiff Gate Business Park.*
Contact: Sandra Aldred
CBI Conferences
Tel: 071 379 7400
Fax: 071 497 3646
LONDON

MARCH 8
IT & Corporate Transformation: New approaches to creating & maintaining strategic alignment between IT & the business
This conference explores the success factors and key problems associated with implementing IT strategies to support a business undergoing major change. It highlights the outstanding issues and provides practical guidance on how to handle them. Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

MARCH 8-9
UK Cable, Telephony & Finance: The Future Is Now.
An in-depth conference on the convergence, cooperation and competition in the UK cable & telephony industry.
Contact: Patricia Baynton,
Kagan World Media Limited.
Tel: *071 371 8880* Fax: *071 371 8715*
LONDON

MARCH 10
Making the Most of the Environment
One day seminar relating best practice environmental activities to business planning and growth, viewing the environment as a mainstream management *tool. Sessions include* Reducing Operating Costs, Materials and Consumables, People and the Working Environment, Positive Publicity, Developing an Environmental Strategy. Contact: Nicholas Johnston at West London TEC on:
Tel: 081 814 3272 Fax: 081 570 9969
LONDON

MARCH 14-18
The JIT/KAIZEN Workshop
As featured on FT Management Page in January: five days' intensive hands-on experience for senior managers in world-beating productivity improvement techniques, in a real factory. Free video and copy of article also available.
Contact: Paul Hancock,
Kaizen Institute of Europe.
Tel: 071-713 0407 Fax: 071-713 0403
MIDLANDS

MARCH 15-17
Electronic Books International '94
A Mecklermedia conference and exhibition focusing on developments in the world of electronic books.
Venue: Novotel London Hammersmith
Contact: Emily Brookes
Tel: 071 976 0405 Fax: 071 976 0506
Mecklermedia, Artillery House, Artillery Row, London SW1P 1RT
LONDON

MARCH 16
Customer Profitability
Hampshire Hotel, Piccadilly
The next step in activity based costing... customer profitability identifies which customers generate profits and which *erode them, and gives insight* into how to convert all customers into profit generators.
Contact: Evanna Morris,
CIMA Mastercourses
Tel: 071 917 9244 *Fax: 071 580 6991*
LONDON

MARCH 16
The West London Technology Series 2: Design
One day seminar for senior managers of manufacturing *and service-related* companies, exploring product design and mechanisms for development and marketing. Speakers drawn from The Design Council and a leading *international design consultancy will lead* you through the basic ingredients for success.
Contact: Nick Hamilton
at West London TEC on:
Tel: 081 814 3240 Fax: 081 570 9969
LONDON

MARCH 16 & 17
Magnetism in Industry
At the Daventry Resort Hotel, Northants
An IMC "Innovation Conference", Exhibition and "Technical Expo" of commercial research papers. Industrialists should come and hear how magnetic technology can improve products and processes, reducing costs and improving profitability. For information contact: Industrial Mix Conferences Ltd. Tel: (0444) 458080 Fax: (0444) 441215
NORTHANTS

MARCH 17
Tomorrows Company
RSA Inquiry National Conference.
For business leaders to rethink the purpose, definitions and measures of *success of business. To stimulate* improved performance by analysis of the sources of sustainable business success. A distinguished team of speakers drawn from the Inquiry's participating companies. Details from: Gay Webb
Tel: 0532 832600 ext 4328 Fax: 0532 833233
LEEDS

MARCH 17
Business Process Reengineering
ONE DAY SEMINAR & WORKSHOP
The seminar provides a comprehensive BPR implementation strategy (Theory, case study, Workshop). Uniquely we use proven methodologies and computer modelling. The speakers from QSC, William Lynn Associates and Origin cover all aspects of a successful implementation. Repeated April 14, May 12. Contact Sharon Hayes, QSC Ltd.
071-329 3377, Fax: 071-329 4508
LONDON

MARCH 21-22
Business Process Re-engineering Seminars & Workshops
Continuing a successful series of seminars for executives and senior managers charged with designing and implementing BPR initiatives. Established blue chip client list. Presented by a leading US practitioner, our proven 'how-to-do-it' implementation guide is illustrated throughout with case studies and workshops. Course book also available. Repeated April 21-22. Contact: Richard Parris, Vertical Systems Intercede Ltd Tel: +44-455-250266
Fax: +44-455-890821 (24 hours).
LONDON

MARCH 23
Regulating Telecommunications - An International Assessment
A CRI seminar looking at the telecommunications regulation over the next 10 years. Speakers include BT plc, OFTEL, Mercury Communications Ltd, Energis Communications Ltd.
Cost £299 + VAT. Contact: *Leigh Sykes,* CRI Tel: 071 895 8823 Fax: 071 895 8825
LONDON

MARCH 23
Company Car Policy Workshop
One day workshop designed to allow *personnel* and benefits professionals examine and discuss recent trends in company car policy in the UK and Continental Europe. Topics to be covered are: current UK policy, including cash allowances and taxation implications; trends in car provision and choice in Europe; controlling fleet costs.
Contact: David Atkins, Monks Partnership
Tel: 0371 830939 Fax: 0371 830631
STANSTED

MARCH 23 & 24
Business Re-engineering: Managing Radical Change
This two-day international conference explores how to address the organisational and human challenges of business re-engineering, including frank discussion of the reasons why so many initiatives fail and explores practical methods for achieving critical buy-in and support for redesigned processes and new working practices.
Contact: Business Intelligence
Tel: 081 544 1830 Fax: 081 544 9020
LONDON

MARCH 23 & 24
Venezuela & Colombia
The Caribbean Basin - Integration, Investment & Trade
Linked events on significant regions for direct investment and trade and with *potential* as emerging markets. The Colombian Finance Minister keynotes. Sponsors: Bankers Trust, Banco Mercantil, Banco Ganadero, Crown Agents, Canning House and the Caribbean Council for Europe.
Details from: Marc Lee, Cityforum Ltd
Tel: 0225 466744 Fax: 0225 442903
LONDON

MARCH 23 & 24
Eastern Europe's Economic Recovery & CIS' Continuing Decline and Opportunities & *Challenges in the Region's* Energy Industries
PlanEcon, DRI/McGraw-Hill conferences with Dr. Leszek Balcerowicz, Former Polish Finance Minister, and Western Oil Industry Reps. Contact Patricia Matthews, DRI on +44-81-545-6212
LONDON

MARCH 24
Intellectual Property Issues in Collaborative Research & Development
Exploring the challenge of setting up & managing a successful R&D programme. Speakers from Patent Office, EC, OST, Universities, Industry & specialist lawyers. Update on new national & EU policies. INTERFORUM Tel: +44 (0) 71 386 9322 Fax: +44 (0) 71 381 8914
LONDON

MARCH 24 & 25
World Class International Workshops:
RE-ENGINEERING THE MANUFACTURING PROCESS - TOWARDS WORLD CLASS MANUFACTURING - Intensive 2-day workshop. Practical training in the critical success factors to create a World Class Manufacturing operation. Workshop includes highly effective World Class simulation exercise (Ref: WCM2)
Contact: Vicki Welham, World Class International Ltd
Tel: 0705 268133 Fax: 0705 268160
HAMPSHIRE

MARCH 24 & 25
Tie Days: Sensors & Instrumentation
This conference is for companies presenting innovations in SENSORS AND INSTRUMENTATION to those seeking investment or new business in this sector. Following brief presentations the delegates will hold informal meetings to make direct contact and assess these opportunities.
TIE Days are an Investment Fora initiative *of EU's SPRINT* programme.
For further details please contact:
TIE (UK) Ltd. Tel: (44) 071 704 9702
Fax: (44) 071 704 9594 TIE S.A.
Tel: (33) 50 31 59 40 Fax: (33) 50 31 59 45
LONDON

MARCH 29 & 30
***Introduction to Foreign* Exchange and Money Markets**
Highly participative training course covering traditional FX and money markets featuring WINDEAL a realistic PC based dealing simulation. For Corporate treasurers, bank dealers, marketing executives, financial *controllers, systems* and support personnel. £480 + VAT. Lywood David International Ltd. Tel: 0959 565820
Fax: 0959 565821
LONDON

MARCH 30
Launch of the Green Health Check Manual
Morning event to launch Green Health Check Manual, developed by West London TEC and Touche Ross to enable businesses to independently conduct an environmental audit. *Speakers include* World Wildlife Fund, Touche Ross and companies who have benefited from environmental audits. Contact: Nichola Wynne at West London TEC on:
Tel: 081 814 3250 Fax: 081 570 9969
LONDON

APRIL 14 & 15
"Opportunities in Turkey"
A two day seminar for companies with an interest in the Turkish market wishing to establish direct contacts between companies in the same or complementary *sectors. Speakers will include Ministers* and both countries' Ambassadors, as well as senior officials.
Contact: Beth Rayney, LCCI
Tel: 071 248 4444 Fax: 071 489 0391
LONDON

APRIL 15
Off Balance Sheet Finance and Capital Instruments - Effect of *latest ASB announcements.*
Capital instruments; Off balance Sheet Finance; Views from banker, finance director, stock market analyst, credit analyst. Impact on derivatives market; tax considerations. CPE 16 points.
Contact: Lynn van Rooyen, IBC
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

APRIL 18
Introduction to Regulation
This course is designed for those new to *regulated industries*; looking at legal and economic aspects of regulation, covering both the utilities and other sectors. Issues: Price control techniques; enforcement: regulatory rule-making; standard setting and quality control; managing the regulators; due process in regulation; the politics of regulatory institutions.
Further details can be obtained from the Short Courses Office, London School of Economics: Tel: 071 955 7227/7015
Fax: 071 955 7676
LONDON

APRIL 18 & 20
Lafferty's International Allfinanz Convention
Allfinanz is rapidly becoming more than Retail Banking + Life Insurance. It now includes Investment Funds _ General Insurance. Increasingly banks, insurers and fund managers seek to supply ALL *FINANCIAL SERVICES.* Hence, this convention of three inter-related conferences:
Contact: Elaine Fitzsimons, Lafferty Conferences Tel: (+353-1) 671 8022
Fax: (+353-1) 671 3594
LONDON

APRIL 19
Offshore Safety Case Management
A conference on safety casework in the North Sea. Issues include assessing safety cases submitted to the HSE, future legislative needs, insurance risks, the legal position and safety case automation. Speakers include Michael Forsyth MP (Minister of State, Dept of Employment). Tony Barrell (Chief Exec, North Sea *Safety, HSE). Organised with IchemE and* Digital Equipment. Contact: Ian Dale, The Waterfront Partnership Tel: 071 730 0430
Fax: 071 730 0460
LONDON

APRIL 19 & 20
Business Performance Measurement: Transforming corporate performance by *measuring and managing the* drivers of future profitability
A major two-day international conference on how and why organisations are broadening their performance measurement systems to include drivers of future value such as quality, customer service and human capital.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

APRIL 27 & 28
Managing Relocation
Major CBI conference and exhibition examines wide range of domestic and international relocation issues to help companies achieve successful cost-effective transfers. Programme includes industrial relocations and group company moves.
Contact: Natalie Munden
CBI Employee Relocation Council
Tel: 071 379 7400 Fax: 071 836 1114
PETERBOROUGH

APRIL 28 & 29
***Financial Markets in the Middle* East Conference**
Sponsored by the UK Government, the conference will provide a unique opportunity for delegates to discuss new *opportunities in the financial sector with* the key decision makers from the region.
Contact: The Conference Unit, The Royal Institute of International Affairs
Tel: 071 957 5700 Fax: 071 957 5710
LONDON

MAY 10 - 12
Internet World & Document Delivery World International '94
Mecklermedia's second annual conference and exhibition exploring the products and services Internet applications can offer the company and the individual.
Venue: Novotel London Hammersmith
Contact: Stella Filmer
Tel: 071 976 0405 Fax: 071 976 0506
Mecklermedia, Artillery House,
Artillery Row, London SW1P 1RT
LONDON

MAY 18
The New UK Trade Mark Law
Explores the opportunities arising from the proposed new legislation on UK Trade Mark Law; the first significant changes in 56 years. The conference will be essential for all those dealing with trade and service marks, marketing decisions, licensing executives and their advisors.
Contact: Jacqueline Hives
European Study Conferences Ltd
Tel/Fax: 0572 822699
LONDON

MAY 23 & 24
European/US
International Tax Planning
International Tax Reviews Fourth Annual Seminar. Focus on trade between Europe and the US. Speakers include British Petroleum, General Motors, Barclays, UK Inland Revenue. Areas covered are Structuring Cross-border Cashflows, *Unitary Taxation, Double Taxation* Treaties.
For further information
Tel: +44 71 779 8719 Fax: +44 71 779 8603
LONDON

MAY 24
The New Commercial Agents Rules
Practical consequences; how to maintain cost effective sales; renegotiating contracts; other options for distribution arrangements; which jurisdiction; German case study; Agents; perspective. Essential for sales and marketing directors, finance directors and contracts managers. CPD 4.5 *hours. Contact: Lynn van Rooyen, IBC*
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

JUNE 6
The *New* UK Trade Mark *Law:*
Practical implications for your business. In Association with Boodle Hatfield. Registrability: Registry's view; Agent's view; Enforcement of rights; Benelux experience; Advertising *world's* perspective. Chaired by Mr Justice Jacob (am) Professor Gerald Dworkin (pm) CPD hours.
Contact: Lynn van Rooyen, IBC
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

JULY 18 - AUGUST 5
International Business and the Environment: policy context and policy tools
London School of Economics is offering a three week, intensive, degree-level, examined course. Topics include environmental politics, sustainable development, the European debate, trade and the environment, transnational corporations, 'green' taxes and subsidies, cost-benefit analysis and discounting, *environmental assessments and audits.*
Contact: Nicola Meakin
Tel: 071 955 7533 Fax: 071 955 7675
LONDON

LECTURES

FEBRUARY 24
***Italy in the Eve of Elections:* The Left Is Ready to Govern**
Achille Occhetto, Secretary General, Democratic Party of the Left.
LSE European Institute Public Lecture
5:30 pm Thursday, 24 February, Old Theatre, Main Building, London School of Economics, Houghton Street, London WC2. Entrance free with out ticket. The lecture is in Italian, but translation facilities will be provided.
LONDON

INTERNATIONAL

MARCH 1 1994
Eurobudget '94 Conference
European Union 1994 Budget
Business Opportunities (70 Billion Ecu)
Top EC officials will explain EU 94 budget lines and how they will benefit specific business sectors. Aimed at organsiations from EU and EFTA countries wanting their share of EC funding. Chairman: John Tomlinson, MEP, Budgets Committee.
Contact: SGD Société Générale de Développement S.A., Brussels.
Tel: +32 2 512 46 36 Fax: +32 2 512 46 53
BRUSSELS

MARCH 10 & 11
Integrated European Logistics: The Barriers to *Overcome*
Major two day conference on European logistics integration featuring international *success stories (including practical* workshops).
Price: Conference only 7,990 French *francs. Contact Elaine Harris,* Ernst & Young Paris Tel: 010-33-1-46-93-70-00
Fax:010-33-1-47-88-00-96
PARIS

MARCH 22 & 23
Doing Business With Poland
This high-level forum will provide an opportunity to review and assess the policies of the new Polish government, the implications for the banking sector of a debt restructuring deal and the opportunities and challenges of investing in Poland.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
WARSAW

MARCH 23-25
European Business Information Conference
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MANAGEMENT

EUROMANAGER TO WATCH

Bessel Kok's direct management style combined with an "astonishing" willingness among staff to change

Fast mover in a changing world

Andrew Hill on Bessel Kok's efforts to push Belgacom from bureaucratic leviathan to autonomous enterprise

Bessel Kok admits that Belgacom's image was a standing joke when he took over as chief executive of Belgium's state-owned telecommunications group at the beginning of 1992. Delays in connecting subscribers were "extravagant" – some 50,000 people were waiting for telephones. The mobile telephone service was "lousy" and Belgacom, formerly called RTT, was seen as an unfriendly, bureaucratic leviathan. "That's pretty heavy as a core service problem," says Kok.

His task – to transform Belgacom into an autonomous enterprise, free of direct government control – has been further complicated by European Commission plans for complete liberalisation of ordinary telephone calls by 1998. At the same time, the cash-hungry Belgian finance ministry has started to size up the company for privatisation, and telecoms competitors have begun forging international alliances.

But on January 5 this year, Kok announced that Belgacom had achieved the goals of its ambitious 1992-93 strategy: it had reduced the time taken to connect most new customers to 20 days – and set a target of five days by the end of this year, launched a new image, and established a modern, digital mobile telephone network with Pacific Telesis International, a subsidiary of PacTel, the US telecommunications group. "Some of you didn't believe we were going to meet this deadline," he told journalists. "But we have."

Kok came to Belgacom from Swift, the global money transmission network for banks, where he was chief executive for seven years. A dedicated chess fan and professor of strategic management at Brussels' Flemish University, he arrived with private-sector preconceptions about Belgacom's inefficient bureaucracy. However, he was "absolutely astonished" by the attitude of most of the company's 26,000 staff.

"The company had a very strong willingness to change," says Kok. "It went very deep in the organisation. And if you really analyse it, that's logical: it isn't funny to be perceived by the majority of the public as a sleepy organisation that doesn't listen."

Kok's management style is direct. He began Belgacom's metamorphosis with a letter to staff telling them "tomorrow will not be like yesterday" and that the old monopoly certainties were being undermined by technological advances and pan-European liberalisation. "As an organisation, we believe that this is irreversible," Kok said. "As far as our company is concerned, we do not believe that there will be a return to what we call the old times."

Since Kok's arrival the group's 4m subscribers have become "clients", whose needs are paramount. A marketing department was set up with 100 staff and a referendum issued to customers to find out what they thought about Belgacom. The 60,000 who replied said the biggest problem was still the long wait for service, from installation of a telephone to a simple directory inquiry. Kok has moved fast to find solutions to these problems.

"Belgacom was late in the process of transformation," he says. "That's why we were in a hurry. The Dutch, French, Scandinavians, even the Swiss, started their transformation programmes earlier than we did, which was a pity because in the late 1960s Belgacom was one of the leading operators in Europe."

Kok has tried the tempers of his political and boardroom bosses, some of whom he believes were still steeped in the public sector culture. In late 1992, only 11 months into the job, his management – particularly of the financial, personnel and mobile telephone dossiers – came under fire from the board. Kok says he had difficulty coping with the interventionist attitude of some directors and admits that at first he felt he had more support from below than above.

"It was extremely difficult for me to implement immediately what I call a private-sector model of authority and duties," says Kok. "In the beginning, the board perceived its authority as going far more into operational responsibilities than is done in the private sector." Kok says the situation has been "improved but not resolved". Certainly his position no longer seems as precarious as it was painted 18 months ago.

He is no stranger to combat between executive and non-executive directors. At Swift, which he joined in 1973, he struggled in vain with the organisation's dominant bank shareholders, who resisted his proposals to restructure the board, invest more power in the executive directors, and expand the network to users other than banks.

At Belgacom, Kok also has to contend with the possibility that the government may launch a premature privatisation. The finance ministry has repeatedly hinted at partial flotation as part of its modest four-year privatisation programme, which ends in 1996.

That is a short-term challenge which Kok could clearly do without. Although a fast worker, he believes a hasty privatisation could do more harm than good. As he put it in a speech in December last year: "Privatisation should be based on a clear decision of the government to go for it and then be built on a scenario of careful trade-offs [between investment, social and budgetary concerns] and, especially, appropriate timing."

Kok's main priority now is to seek other international partners. He has already overcome some internal opposition. His executive committee warned him that giving Pacific Telesis a share of the mobile telephone joint venture was "giving the jewels away and linking up with potential competition". As it turned out, the two companies were able to transform Belgium's mobile network in five months.

Richard Lapper on rising insurance costs for UK business

Staff cover proves a liability

Following Piper Alpha reinsurers are worried by the size of potential losses

British businesses increasingly face an uphill task in finding insurance cover for employees who suffer accidents or become ill through their work.

Employers' liability insurance, which is compulsory for UK companies, has already become much more expensive in the past three years. Next year the situation could get worse if, as expected, insurers reduce the scope of cover offered in typical policies, because of moves by their own reinsurance companies to restrict protection.

According to the UK risk managers association, Airmic, the issue ranks alongside the environment and terrorism as among the most pressing facing insurance buyers.

"It is a problem area," says Alan Fleming, executive director of Airmic. He estimates that employers' liability insurance can amount to 40 per cent of overall insurance costs for some companies.

Premium rates for manual workers have risen by an average of at least 20 to 30 per cent annually – in some cases the figure is more than 70 per cent – in recent years, with rates rising from perhaps 0.2 per cent to 5-8 per cent of payroll for some workers. The more serious threat is that employers face even steeper increases for their white collar workers; rates are rising from 0.01 per cent to as much as 0.3 per cent of payroll.

The background to all this is a rise in claims costs, which reflects a number of political and social trends. New official health and safety requirements and the greater willingness of workers, especially when organised in trade unions, to claim damages in the courts have led to a surge in disease claims. These now account for between 25 per cent and 40 per cent of the £500m paid each year in employers' liability claims by UK insurance companies, compared to 20 per cent 10 years ago.

The picture is expected to deteriorate further as claims from victims of new conditions – such as repetitive strain injury (RSI) and stress – come to the courts.

A recent award of £79,000 in an RSI case involving a former Inland Revenue typist is likely to encourage trade unions which are backing action by other injured workers and has highlighted what James Hopper, employers' liability specialist with Sedgwick, the insurance broker, recently qualified as a "potential epidemic".

The biggest headache of all could be finding an insurer in the first place. A number of companies have withdrawn from the market and no longer offer "standalone" policies – and more are likely to follow suit. Reinsurers have become concerned about the scale of potential losses following claims stemming from the Piper Alpha oil rig explosion in 1988.

They have consequently begun to curb the traditionally unlimited cover they offer insurance companies. Insurers now expect reinsurers to limit cover to between £5m and £10m per occurrence, when they renew their annual policies for 1995. This means insurers may have to introduce changes into their own contracts as they come up for renewal later this year.

What can companies do? Derek Howie, assistant liability manager for Eagle Star, the BAT Industries subsidiary, predicts the emergence of a new "excess of loss" market where corporate buyers will be able to obtain cover above the limits made available from their traditional insurers.

But risk managers, brokers and insurers expect the new combination of circumstances to lead to greater interest in self-insurance, with many buyers increasing the amount of risk they leave uninsured or self-insured. Already many larger UK companies cover all claims under a certain level – with a limit of £100,000 typical for some large companies.

"Basically, it can allow cost savings. Companies are managing predictable claims of a modest size themselves rather than handing over responsibility to insurance companies," says John Stoker, a consultant who works with Tillinghast, the actuaries and management consultants.

Self-insurance can help cut legal bills, which add thousands of pounds to costs. The self-insurance option is frequently accompanied by a more pro-active approach to claims management. Companies can also reduce their employers' liability costs by "recognising when people have a real claim and doing everything they can to settle it quickly," explains Stoker. Trying to resist all claims is like "pushing water uphill", he comments.

Another option is to create a captive company, a specially created subsidiary dedicated to insuring the risks of the parent and its subsidiaries. Forming a captive insurance company can be expensive, partly because captive managers must arrange for policies to be "fronted" by an insurance company licensed by the Department of Trade and Industry. According to Hopper, this guarantee can cost between 5 per cent and 10 per cent of the premium paid. Claims handling charges also add to the expense.

Howie at Eagle Star points out that insurers can provide valuable experience in advising employers on the complex legal issues surrounding some claims.

Even so, self-insurance can still be an attractive option for many buyers, especially larger companies. "In the short term there is not a lot of money going out," explains Hopper.

Above all, the shrinkage in insurance cover will encourage companies to find ways of controlling risk through improvements in management and safety procedures.

Liz Taylor, risk manager of Harrisons and Crosfield, the conglomerate, and a former Airmic president, recommends adoption of "the best possible standards of health and safety".

The point is that if employers are unable to buy financial protection for loss at an acceptable price, they may be forced to step up actions to prevent losses in the first place.

Policies on smoking and cabin freshness differ from airline to airline. **Daniel Green** investigates

A breath of fuggy air

Smoke gets in your eyes and up your nose. And so do bits of fluff, hair, skin particles and volatile emanations from the malodorous passengers around you. Taking a long-haul flight is more than just a matter of a comfortable seat and gourmet food.

Airlines differ in how they treat smokers and how often they change the air in the cabin.

On the smoking front, they tend to divide into two camps: the anti-smoking Anglo-Saxon countries, and their former colonies; and the pro-smoking rest of the world. On the issue of smoking in aircraft, France would appear to be an honorary Anglo-Saxon country.

In the "anti" corner, US carriers forbid smoking on all domestic flights. British Airways has not allowed smoking on its domestic flights since 1988, SAS bans smoking on flights within Scandinavia, and Singapore Airlines has smoke-free short-haul routes on its Silk Air subsidiary.

These rules are not as strict for long-haul international flights, perhaps because airlines recognise that it is harder for tobacco addicts to go without for eight or 10 hours.

Many airlines have no-smoking flights only on routes where there are at least two daily flights: smoking is banned on one, and allowed on the other. Such flights are available from BA, Cathay Pacific and Singapore Airlines between Europe and Asia, and on many US carriers across the Atlantic or Pacific.

WILL SMOKE GET IN YOUR EYES?

Airline	Smoking policy	Frequency of cabin air changes*
Air France	No smoking on flights under 2 hours. Separate smoking cabin on flights to S Korea/Japan	"Better than 7 litres of air per passenger per second"
American Airlines	No smoking on domestic US flights	21 litres per passenger per second; complete change every 3-8 minutes**
British Airways	No smoking on flights under 2 hours or on some long-haul flights where destination is served by second aircraft where smoking is allowed	"Every 2-3 minutes"
Lufthansa	Smoking allowed on all flights	Not available
Northwest	No smoking on US domestic or first class in long haul	Every 2-4 minutes
SAS	Smoking allowed on all flights except within Scandinavia	Every 2-3 minutes**
Singapore	No smoking on most flights, including on its regional subsidiary Silk Air	Every 3-5 minutes
Swissair	Smoking allowed on all flights	Every 5-8 minutes. 21 litres per passenger per minute
United Airlines	No smoking on US domestic flights, or on some routes with more than one flight a day	Every 3-8 minutes

Longer times usually apply to larger aircraft such as Boeing 747s. The latest aircraft filter and recirculate air, adding to the time taken to change air completely.
***American and SAS do not have Boeing 747s.*

For short-haul international flights, carriers are more divided. While SAS still allows smoking on flights outside Scandinavia, Air France last month banned smoking on flights of less than two hours. BA plans to prohibit smoking on flights of less than 90 minutes from this summer: more than 400 flights a week will be affected between the UK and much of northern Europe.

Such changes of policy at BA and Air France contrast with the attitude of German carrier Lufthansa. It experimented with no-smoking flights in 1990, but abandoned the idea in the face of public hostility. Those in favour of an individual's right to smoke overcame those arguing that the health and comfort of others were more important, says the carrier.

Many Asian and south European carriers have not even experimented with no-smoking policies, perhaps because smoking is more popular in those regions.

Is it possible for an airline to please both supporters and opponents of smoking? Air France is trying: it has a special smoking compartment on flights to Japan and South Korea. Economy-class smokers sit at the back of the aircraft, separated from other passengers by thick curtains.

While non-smokers may applaud efforts like this, they might be less pleased by the issue of the freshness of the air itself.

Only US carriers have statistics about cabin air freshness at their fingertips. Most other carriers contacted by the FT had to consult their engineering departments, and often did not know precise figures.

The results of the survey show that, when it comes to air freshness, the type of aircraft matters at least as much as who owns it.

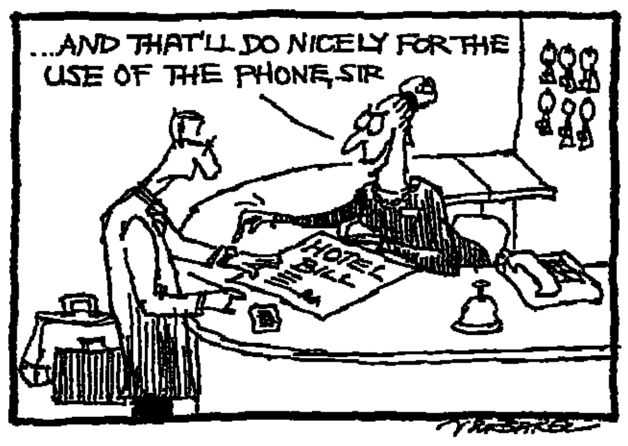
It is not easy to change cabin air frequently. At 40,000ft, the external air can be minus 60°C and almost completely dry. It must be heated by 80°C and have moisture added before it is pumped into the cabin.

This all uses fuel, so the latest Boeing and Airbus aircraft, introduced since the mid-1980s, try to cut down on the waste by recycling some warm and relatively moist cabin air. Airlines insist that this does no harm to passengers. The air is filtered using a mesh that catches many bacteria. Sleeping people extract very little oxygen, so the air the second time round should be just as capable of sustaining life as it was the first time.

Nevertheless, those who want completely fresh air circulating around them should avoid travelling in new aircraft, such as the Boeing 747-400 and Airbus A320, while smaller aircraft tend to change the air more frequently.

Travellers paying for the most expensive seats will get better air quality than those with cheap tickets. The air in an aircraft flows from the front to the back; the further forward you are, the fresher the air, unless there are smokers in front. Moreover, with fewer passengers per square metre in the more expensive seats, each has more fresh air.

As if that were not enough, one airline has just made the fresh air class distinction even greater. US carrier Northwest last month banned smoking in all first-class cabins.



High-cost connections

***Andrew Adonis** on the price of using cards to make phone calls from hotels*

Business travellers once had to accept extortionate hotel telephone charges as a fact of life. Then came the calling card, enabling them to avoid hotel rates by using freephone or special connection numbers, which credit the charge to a phone or credit card account.

Not to be outwitted, many hotels have reacted by barring the access numbers and placing a hefty levy – euphemistically called a "connection fee" – on those wanting to dial access numbers via hotel operators. Travellers intending to spend much time on the phone should check on hotel policy. One call could save a large part of the final bill.

In the US, where more than 100m citizens now have calling cards, most hotels long ago caved into consumer demand and allowed calling card holders to dial direct. The standard access charge is 75 cents. Access codes for AT&T and the other carriers are often advertised in bedrooms.

By contrast, London hotels generally still try to hold on to their extra income from phone charges.

The Dorchester was the worst offender in a random survey of six central London hotels, levying a £2.50 premium on any call via an 0800 freephone number. The Cumberland Hotel in Marble Arch charges a £2 connection fee for all access numbers for charge cards, including 0500, 0800 and 144 for BT. The Regent's Park Hilton charges £1.50, and the Holiday Inn at King's Cross £1.

Two of the six levy no charge. The Grosvenor House Hotel in Park Lane does not bar any numbers. Better still, the Beaufort Hotel in Knightsbridge neither bars numbers nor charges any mark-up from standard BT tariffs for direct-dialled calls. "We believe we are the only hotel in London to charge guests straight BT prices, nothing extra," it says.

BT and Mercury say there is little they can do except "try to persuade" hotels to charge lower fees.

● Holders of American Express cards in the UK will be able to use them as phone calling cards under a deal signed by Amex and Mercury, the UK phone company, last week.

After applying for a personal number, card holders can charge calls to their Amex account at Mercury calling card rates – which are generally lower than BT's but higher than US cards for transatlantic calls. Corporate card holders are eligible immediately; all 1m Amex card holders in the UK can apply later this year.

Do you have any tales of extortionate hotel telephone charges or restrictive practices? Send your experiences to Andrew Adonis, fax: 071-873 3085.

Hong Kong competition

Competition on routes between London and Hong Kong is set to increase markedly. Today Virgin Atlantic will start a daily service between the two cities. Virgin is offering an array of inflight entertainments, including video gambling. Not to be outdone Cathay Pacific will add three flights a week from March 31.

Franc fares

Air travel in the African franc zone is set to become a lot more expensive. Airlines operating in the zone plan to increase their fares by up to 70 per cent after the January devaluation in the CFA zone. Members of the Francophone Association of Air Transport last week approved a 60 per cent increase in round-trip fares, a 70 per cent rise in one way fares and a 100 per cent increase in freight fares. Air France, Royal Air Maroc, Air Afrique and Cameroon Airlines are among the carriers seeking the rises, which need the approval of their governments.

Indonesian Aids move

Indonesia may require expatriate workers to carry certificates to prove they do not have Aids, the welfare ministry said last week. There were no details on when the provisions would come into force but it is thought tourists and business visitors will be exempt.

Vietnam

Northwest airlines is seeking permission to start regular flights to Ho Chi Minh City, following the recent lifting of the US embargo on trade with Vietnam.

Southwest on time

Southwest airlines was the best time keeper among US airlines last year, according to official figures published last week by the Transport Department.

Southwest completed 89.7 per cent of its flights on time, defined as within 15 minutes of the scheduled arrival time. Northwest was second with 85.9 per cent, closely followed by America west at 85.5 per cent. Significantly perhaps some of the largest US carriers were well down the list: USAir stood at 82.9 per cent; TWA 82.6 per cent; American 80.8 per cent; Continental 79 per cent; United 78.5 per cent and Delta 76.7 per cent.

Duty free

EU finance ministers last week raised duty free allowances for travellers coming to and travelling within the EU. Under rates which come into force on April 1, travellers arriving from non-EU countries will be allowed to bring in duty-free goods worth 175 European currency units ($195), almost four times the current limit of 45 Ecus. For travellers between EU states the limit will doubled to 90 Ecus.

Trouble spots

US travellers are advised by the state department to stay away from Angola because of armed troops, roadside bandits and unexploded land mines. Visitors to the Baltic states of Estonia and Latvia should be aware that crime, sometimes violent, is on the increase, warns the UK foreign office. Take precautions such as using hotel safe deposit boxes.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	8	7	6	7	7
Hong Kong	18	19	18	14	12
London	[illegible]	[illegible]	5	7	7
Frankfurt	2	3	4	6	9
New York	[illegible]	[illegible]	2	[illegible]	2
L. Angeles	16	18	21	23	24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13
Paris	4	9	7	10	10
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10

Maximum temperature in Celsius
Information supplied by [illegible] of the Netherlands

THE MONDAY

People page

Turning the moribund into mainstream

Ron Brown, the US secretary of commerce talks to **Jurek Martin** and **Nancy Dunne** in Washington

There used to be a faintly down-at-heel air about the commerce department. It put out a lot of economic statistics and data about people and the weather but it rarely appeared a big player in government when matched against the powerhouses of treasury, state department and even, as it developed in influence over the last 20 years, the small office of the trade representative.

Commerce secretaries were often political hacks or comfortable businessmen who came and went, leaving not too much of a trace behind.

To enter Ron Brown's quarters is instantly to detect a difference. They are as stylish and smart as the secretary himself, perhaps the most elegant man in Washington. They resemble those of a plush lobbying law firm, one of which, the aggressive Patton, Boggs and Blow, was his home for much of the 1980s. They are the offices of a quintessential Washington insider, right down to the fish tanks, the computer terminals and big pictures, beyond number, of Ron Brown and his many friends, from his president on downwards.

Simply because Ron Brown was just such a person, it puzzles that he should have opted for dear old moribund commerce when, as one of the major architects of Bill Clinton's election victory, his selection must surely have been wider. "Well, I won't say I wanted to be secretary of commerce from the day I was born, but one of the things I always noticed was that this was a department of enormous untapped potential. Anyway, something about me likes challenges, it was enticing. And our campaign was all about the economy and I thought this department could have an impact on it."

That impact was certainly seen just last week when Ron Brown stood shoulder-to-shoulder with his president to announce triumphantly the $6bn contract for the sale of commercial jets to Saudi Arabia. He was a serious player in administration strategies for Nafta, the Uruguay Round and the latest fraught negotiations with Japan.

His proudest achievement so far has been the establishment of a national export strategy, which, if European reactions to the Saudi deal are anything to go by, already has US competitors deeply worried. Its goal is $1,000bn in exports by the end of the century, nearly double current levels, generating, he calculates, 6m new jobs at home.

"Government should not initiate contracts," he says. "That is up to the private sector, but if it makes that judgment there should be aggressive action on government's part to help them." And why not, he goes on, for that is exactly what the main US trading rivals have been doing for years.

He can come over as a supersalesman (he prefers the word "advocate"), though this would be grossly to misread his talents. His career has been varied enough – and only his colour makes it relatively unusual. He grew up in the Theresa Hotel when Harlem glittered and where his father was manager. His education was at the better private schools in the north east and he was a commissioned army lieutenant at .

A law degree from St John's University in New York got him on board the civil rights movement, with the Urban League. He moved on to be chief counsel of the Senate judiciary committee under Edward Kennedy, worked for his abortive 1980 campaign and then moved on to Patton, Boggs and Blow, where his clients ranged from Japanese corporations to Haiti's Duvalier family and where he began to make serious money – and some enemies. (The New York Times came close to opposing his nomination a year ago mostly because he had been that ultimate object of mistrust, a lobbyist).

In 1988 he managed the Rev Jesse Jackson's bid for the presidency, and he was still seen mostly as a tool of the Kennedy-Jackson liberal axis when, against many odds, he was elected Democratic Party national chairman early in 1989. This induced undisguised delight among Republicans. George Will, the conservative columnist, wrote at the time: "Democrats are already turning briskly to the business of losing the 1992 election and some of them believe that the coming election of Ronald Brown as party chairman will be a big step in that direction."

Four years later a Democratic president was inaugurated. What he did in those four years as party chairman – raising money, giving Democrats a sense of purpose and ultimately uniting the many warring factions behind the man he saw as a winner – he is now seeking to replicate in government and inside the commerce department.

He did not have to demand a seat at the administration high policy table, because Mr Clinton's theological belief in collegiality gave him an automatic place. Like a good cardinal, his opinions are pretty indistinguishable from the rest. "We've been consistent for 13 months, we want targeted, results-oriented trade policies.'

On Japan, this most political of operators expresses interest in Tokyo's unfolding drama but adds that US policy prior to the summit 10 days ago could not be determined "to the depths of interpreting every nuance in domestic Japanese politics." More important was the necessity of getting Japan to abide by its agreements - in the framework negotiations that broke down at the summit and over Motorola's cellular phone exports.

But it has not been all guts and glory for Ron Brown. It was only a few weeks back that he was cleared of charges that he had solicited money in return for helping to lift the trade embargo against Vietnam, finally ended February 3. He claims he was not "deterred or distracted" but then says Washington, which he knows like the back of his hand, "is getting meaner and worse." Still, "I don't feel victimised, I'm the kind of person that moves on." To the state department perhaps? Ron Brown also knows when to smile and say nothing.

Personae . . .

Monetary institute truly European

Though Germany's Gunter Baer, 53, the secretary-general of the European central bank governors' committee, lost out to France's Robert Raymond in the race for the director general's job at the newly created European Monetary Institute, his deputy. Hanspeter Scheller, 51, has picked up the consolation prize of heading Raymond's general secretariat.

Scheller, who started his central banking career at the Bundesbank, has been a member of the secretariat of the Bank for International Settlements since the 1970s. He is one of three new faces who will run the EMI when it finally settles down in its yet to be found headquarters in Frankfurt.

The EMI has turned to the Dutch central bank for its head of monetary, economic and statistics department. Gert Jan Hogeweg, 47, who runs the payments systems policy department of De Nederlandsche Bank. Before that he did a stint as the Netherlands' alternate executive director at the International Monetary Fund between 1987 and 1991.

Meanwhile, Jim Etherington, 39, (below), who joined the Bank of England straight from school, has been appointed head of the EMI's information and communications systems department. He has been managing the Bank's information technology operation servicing the policy, markets and supervision area.

The latest clutch of appointments has filled most of the key jobs in the EMI's top management team. It still needs to recruit a head of administration and a head of reserve management. Filling the latter is not felt to be particularly urgent since it is unlikely that the EMI will be managing a large amount of reserves in the short-term.

The rash of appointments at the EMI has had a knock-on effect at the BIS. Baer, who had been the EMI's acting director general, will take over from Giampietro Morelli, the BIS's secretary general, when he retires in August. Guy Noppen, Belgium's executive director at the European Bank for Reconstruction and Development, joins the BIS secretariat in March and will assume the Bank's administrative responsibilities. Meanwhile, William White, deputy governor of the Bank of Canada, is joining the BIS and will take over as head of the monetary and economics department when Horst Bockelmann retires in April 1995.

Jenrette eases up at Equitable

After nursing the Equitable through some of its blackest hours, Richard Jenrette, chairman of the 135-year-old US insurance group, is easing his grip on the reins of power and allowing a new generation of managers a chance, writes Richard Waters.

Jenrette, 65 in April, last week gave up the chairmanship of Equitable's US life assurance subsidiary – though he remains chairman and chief executive of the whole group. The move allows Joseph Melone, 62, the subsidiary's chief executive, to become chairman, in turn making room for James Benson, 47, to become president and chief operating officer.

Benson, a marketing expert who learnt the trade at Pacific Mutual Life, was brought in less than a year ago by Melone (himself a former president of Prudential Insurance) to drive the life business forward. Now that Equitable has sorted out the mess in its balance sheet, Melone says it is looking to make its capital grow "the old-fashioned way – by making money".

For Jenrette – a founder of Donaldson Lufkin & Jenrette, the investment bank now owned by Equitable – the 1990s has proved a busy decade. Just months after being thrust into the top seat, he brought in French insurer Axa as a 49 per cent shareholder in 1991 (when losses plunged to nearly $1bn) and took the insurance group public the next year. The question now is: how long will he stay? Last week's announcement was studiously vague on the matter, saying only that Jenrette had "no near-term plans to retire".

Following in Sekimoto's footsteps

NEC, the Japanese electronics and telecommunications company, will be headed by a younger president than has been the case for some time when Hisashi Kaneko takes over from Tadahiro Sekimoto who has been at the top for an unusually long 14 years, writes Michiyo Nakamoto.

Kaneko, 61, has long been considered a natural successor to Sekimoto, 68, who, as executive chairman, will concentrate his energies on activities in the wider business community.

The new president, who is currently executive vice president, followed a similar career path to that of his mentor, and worked for a long time on the telecommunications side of NEC's businesses. His rather uninspiring personal style has won him the nickname of "mini-Sekimoto", according to one Japanese newspaper.

Kaneko graduated from the prestigious University of Tokyo's engineering department and joined NEC in 1956. After managing the company's Central Research Lab, Kaneko moved to the US to become president and chief operating officer of NEC in the US in 1989.

Kaneko takes over at a less than opportune time for NEC, which is suffering from the economic downturn as well as increased competition, but the company seems to have weathered the worst of the bad times.

The new president's leadership and vision will be tested in the years ahead; NEC will be particularly pressed to develop new market areas as its dominance in the domestic PC market is threatened from overseas.

Opera

Rigoletto a clear winner

Among Nuria Espert's productions for the Royal Opera, her *Rigoletto* always looked like a clear winner. Some five years on, it still does; it began its fourth run on Saturday, expertly revived by Daniel Dooner. Ezio Frigerio's sets loom as superbly as ever, exuding dankness and menace, lit to gloomy perfection. I thought I remembered "real" rain in the storm scene – none this time; but perhaps that had been an illusion conjured up by the visible gale-force pyrotechnics.

On the other hand, the naughty Duke and Maddalena appeared here to be working up to a bout of toe-sucking: either that is new or we have become newly sensitive to such possibilities. With Claire Powell's sultry, sulky Maddalena and Francisco Araiza's ducal spiv, it seemed likely enough. It was good to hear Araiza's lusty, forthright tenor again, after a long absence from Covent Garden. A slight constriction on top notes suggested a passing cold, but it mattered little, and his troubled soliloquy in Act 2 conveyed a mature sense of loss.

Leo Nucci returns as Rigoletto, with the histrionics well controlled and a magnificently scathing, desperate "Cortigiani!". His new Gilda is the Korean soprano Young-ok Shin, pretty, touching and precociously subtle. Under pressure the voice has (like some other far eastern sopranos) an electrical, fast vibrato, curiously effective. Their sad last duet is perhaps too brightly lit: that Grand Guignol exercise is better imagined than laid out for close inspection.

There is a solid, chilly Sparafucile from Alastair Miles, and confident support from John Dobson, David Ellis, Eric Garrett and Peter Sidhom as various courtiers. The three principal roles will be taken by other singers in the course of the run, as has become the way with Royal Opera revivals – the Romanian baritone Alexandru Agache, the tenor Jerry Hadley and an American newcomer, the soprano Maureen O'Flynn; and a different conductor, Paul Wynne Griffiths, will lead the last two performances.

The current conductor, however, is a notable discovery. She is a 32-year-old Australian, Simone Young. She makes her mark not by any gimmicks or radically "new" readings (for which Verdi's tightly built opera really leaves no room), but by sheer professional command. There was plenty of energy, without haste or hysteria – nor any uncertain moment; the orchestral balance was impeccable; the singers enjoyed close, unfailing support. As the storm progressed, the off-stage male choristers who do the wailing wind slipped out of synch with the woodwind raindrops, but that amusing lapse was the only one. We must hope that Berlin and Munich will leave this excellent conductor time to visit Covent Garden often.

David Murray

Sponsored by the National Westminster Bank.

Slave to the cult of celebrity

Richard McClure on the portraits of star photographer Annie Leibovitz

The over-muscled torso of Sylvester Stallone, which adorns a recent cover of Vanity Fair, neatly illustrates both the best and worst aspects of Annie Leibovitz's portraiture. As a brash, eye-catching incentive to purchase, it is unsurpassed. On every other level, it is a sham.

Stallone poses nude as Rodin's *The Thinker*, although the gushing coverline, "Sly's Body of Art", stresses his physical, rather than any cerebral, attributes. Inside, further pictures credit a stylist, set designer, hair and make-up artists, plus there are honourable mentions for "jeans by Gianni Versace and sheets by Ralph Lauren". This is not so much an exposition of the actor's psyche as a highly orchestrated fashion shoot.

None of which would matter unless a major retrospective at the National Portrait Gallery, "Annie Leibovitz Photographs 1970-1990", did not invite us to view such work as having artistic value. Leibovitz herself makes the distinction between her magazine work for Vanity Fair and Rolling Stone, which makes up the bulk of the show, and her lucrative assignments for American Express and The Gap. These she excludes on the grounds that they are merely advertising, but there is little difference, either pictorially or commercially, between a photograph of John Cleese endorsing a credit card and last month's Vanity Fair cover of Roseanne Arnold, which provided timely publicity for the publication of the actress's autobiography.

Leibovitz has been contributing to the magazine for more than a decade, during which time she has become court photographer to the nobility of popular culture. Her slick, colour portraits of actors, singers and sportsmen in mildly provocative, staged poses have resurrected the magazine's circulation figures and have already drawn more than 1m people to this exhibition, which is touring Europe and the US.

But in helping to foster this cult of celebrity, Leibovitz has become its slave. Just as Norman Parkinson was limited by royal protocol, so Leibovitz faces similar restrictions from agents employed to perpetuate their clients' personal mythology. In a Hollywood, where publicists call the shots and journalists are blacklisted for penning unfavourable reviews, she would be unwise not to acquiesce.

Faced with this restraint on creativity, Leibovitz relies on a variety of concepts to inject life into the proceedings – Clint Eastwood is bound with ropes; Goldie Hawn perches on an elephant's trunk; Jeff Koons is daubed with gold paint from head to toe. Elaborate props and posturing are not necessarily the answer. Her most percipient studies, such as a defiant Ella Fitzgerald or a world-weary Vaclav Havel, are also the least flamboyant.

In these, she follows Bill Brandt's timeless advice to "see the subject first. Do not try to force it to be a picture of this, that or the other thing. Stand apart from it. Then something will happen. The subject will reveal itself". There is certainly revelation in Leibovitz's portraits; though not in the way Brandt intended. Like Stallone, many of her subjects strip off for her lens, as if bared chests can be a substitute for bared souls.

Too often, Leibovitz seems enthralled by her subjects, willing to pander to their outsized egos. The exhibition is littered with subjects, crying out to be satirised, who instead inhabit irony-free zones. Even those emblems of excess, Liberace and Donald Trump, pictured in all their glorious ostentation, suffer only self-inflicted wounds.

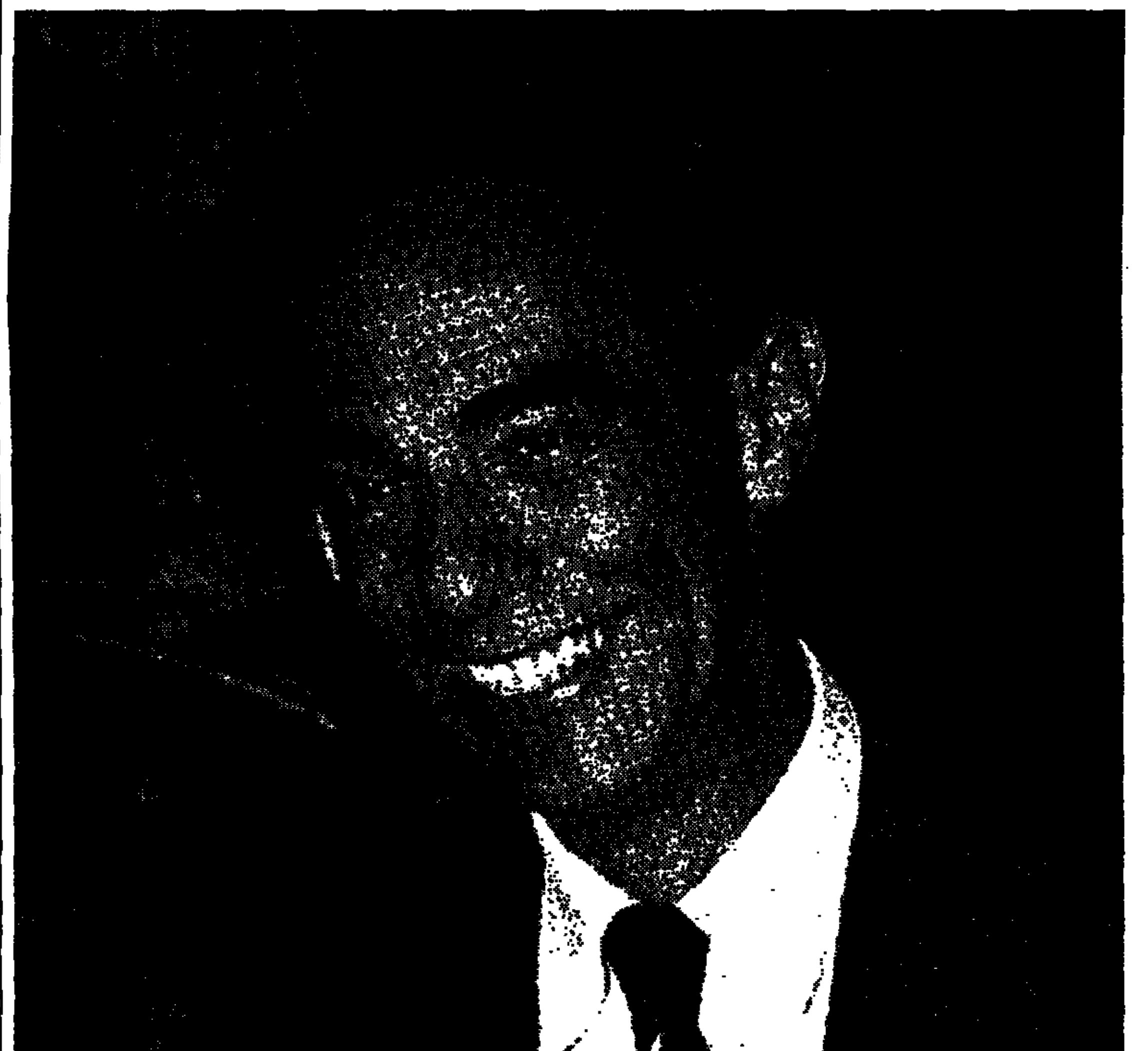
In her defence, Leibovitz has suggested that "the surface can be as revealing as anything else and sometimes that's all there is. With some people it's not going to get any further". A valid point, but by allowing her subjects so much control of the image, she only adds lustre to this surface. (Michael Jackson even gave advice on how to light him in the most flattering manner.) Leibovitz calls such methods collaboration; collusion might be more accurate.

Of course, she is by no means the first photographer to contribute to the smooth running of Hollywood's publicity machine. Angus McBean confessed to removing freckles and blemishes from his 1930s portraits of Vivien Leigh, but drew the line at the practices of US film studio photographers "who retouched all character from faces in pursuit of apparent perfection".

It was not always thus. During the 1970s, Leibovitz's reportage for Rolling Stone captured the seamier, less airbrushed side of that awkward decade, as she tagged along with debauched rock stars and disgraced presidents. Her portraits of a dissipated Mick Jagger still tingle with the demonic energy of his stage performance. Covering the Watergate scandal, Leibovitz was present on the White House lawn in 1974 as Richard Nixon made his final, ignoble departure by helicopter, guards quickly rolling away the presidential red carpet.

These memorable pictures serve as a reproach to a talent gone astray. It is time Leibovitz withdrew her own red carpet treatment for Hollywood's elite; the formula is wearing thin.

Arnold Schwarzenegger by Annie Leibovitz. Rather than probing her subjects' psyches, Leibovitz's recent pictures seem to be more akin to fashion shoots



Derek Jarman: his humour and delight in outrage gave even his "serious" films the power of laughter

Obituary

An artist but not a rebel

Derek Jarman, who died on Saturday, was that rarity in cinema: an independent film-maker who never sacrificed or hazarded his independence. His record attests to a stubborn refusal to "sell out": no other director in our time has spent 20 years making acclaimed feature films without once reaching a budget of £1m.

Yet in a movie age when the cry has been "Is the money up on the screen?", with Jarman the answer was always yes. In early films like *Jubilee* and *The Tempest*, in late films like *The Garden*, *Edward II* and *Wittgenstein*, he rejected star-casting and multiple locations to film with largely unknown actors in tiny studios, abandoned warehouses or derelict country homes, borrowed or rented and dressed up in the colours of his imagination.

The "location" for Jarman's films was his own mind. He came to directing from painting and designing (opera, ballet, Ken Russell's *The Devils*) and he took the self-expressive spirit of the 1960s, the time of his studentship at the Slade School of Art, into virtually all his later films. These began as experimental shorts, shot on Super-8 and/or video to achieve Jarman's unique early style: a dream-like, blurry staccato like paintings shimmering into life.

Later, some of the improvisatory style and demotic working methods of these shorts – diary-like records of friends and places Jarman loved – were transmuted into his feature films. His first, *Sebastiane*, was made with friends on a glorified working holiday in Sardinia: a gay *confessio amantis* thinly disguised as the story of a Roman saint and playfully scripted in dog Latin. This protypical Jarman movie provoked the protypical dual response from viewers: delight from fans and outrage from those offended by the male nudity, apparent plotlessness and historical/religious irreverence.

Later Jarman films brought a similar blend of gay anarchy and licensed iconoclasm to Shakespeare (*The Tempest*), the Italian Renaissance (*Caravaggio*), 20th-century philosophy (*Wittgenstein*), the Bible (*The Garden*) and the English monarchy (*Jubilee*, *Edward II*).

Jarman insisted that he was no rebel: just an artist claiming the right to survival and self-expression in a homophobic age; and the right to defend the England he loved – that of Shakespeare, English literature and painting, and the English countryside – by satirising the England he loathed. This, for him, was the wasteland of new Toryism as perceived and depicted in his anti-Thatcher broadside, *The Last Of England*.

A residual division of style, though, stayed in Jarman's work throughout his career. While the free-form visual experimentation of his early shorts was carried over into the daring effects of films like *Imagining October*, *The Angelic Conversation* and *The Last Of England*, his films based on famous texts or famous lives were more linear and accessible.

Even here, however, movie orthodoxy hardly threatened. Though the films had scripts and professional actors and were shot in 35mm, they still startled us with their seditious touches. Anachronism (motorbikes and pocket calculators in *Caravaggio*); music-hall burlesque (Elizabeth Welch singing "Stormy Weather" at the close of *The Tempest*); gay agit-prop (demos and banners in *Edward II*); rampant surrealism (a green Martian in *Wittgenstein*).

Jarman's humour and his delight in tactical aesthetic outrage gives even his most "serious" films the power of laughter and surprise. In his last years he was the least self-pitying of all artists struck by Aids. His will and stamina allowed him to carry on working long after doctors had despaired of his health.

Even in *Blue*, his last, powerfully moving film, there are wit and wry defiance as Jarman's spoken thoughts and memories play over that single, unchanging colour on screen. Blue was for him the colour of infinity, the colour of favourite flowers, the colour of the landscape elements he loved (sea, sky). "Blue", to those who knew him or his work, never seemed the colour of his mood or emotions, nor those of his films. He was the most affirmative iconoclast British cinema ever had.

INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/DANCE

Staatsoper unter den Linden Tonight, Thurs, Sun: Der fliegende Holländer with Ekkehard Wlaschiha, Poul Elming and Mara Zampieri. Tomorrow, Fri: Tiefland. Wed, Sat: John Cranko's ballet The Taming of the Shrew (200 4762/2035 4494)

Deutsche Oper Tomorrow, Sat: Aribert Reimann's 1992 Kafka opera Das Schloss. Wed: Macbeth with Simon Estes and Galina Kalinina. Thurs: Otello with René Kollo and Julia Varady (repeated March 1 and 4). Fri: an evening of John Neumeier ballets. Sun: Un ballo in maschera (341 0249)

CONCERTS

Schauspielhaus Tonight: Michael Schoenwandt conducts Berlin Symphony Orchestra in works by Friedrich Kuhlau, Elgar and Richard Strauss. Tomorrow: Hartmut Haenchen conducts CPE Bach Chamber Orchestra in Pergolesi, Bach and others, with alto soloist Jochen Kowalski. Fri: Lothar Zagrosek conducts Berlin Radio Orchestra and Chorus in Schreker and Hindemith. Sat, Sun, next Mon: Salvador Mas Condé conducts BSO in Ravel, Mozart, Fauré and Haydn (2090 2156)

Philharmonie Tomorrow: Alois Koch conducts Berlin Symphony Orchestra and St Hedwig's Cathedral Choir in Brahms' German Requiem. Wed, Thurs, Fri: James Levine conducts Berlin Philharmonic Orchestra in symphonies by Zemlinsky and Sibelius, with soprano Deborah Voigt and baritone Franz Grundheber. Sun: Mendelssohn's oratorio St Paul (2546 8132)

THEATRE

● Peter Handke's wordless theatre piece, Die Stunde da wir nichts voneinander wussten, is directed by Luc Bondy at the Schaubühne, with a cast of 15 actors and dancers from France, Spain and Britain, alongside 25 members of the Schaubühne ensemble. The production will visit this summer's Edinburgh Festival (890023)

● Botho Strauss' Das Gleichgewicht, the latest play by Germany's leading contemporary dramatist, is directed by Thomas Langhoff at the Deutsches Theater. Premiered at last summer's Salzburg Festival, it is set in Berlin and examines some of the unsettling personal undercurrents in modern German life (2844 1225)

● Neil Simon's boulevard comedy Sonny Boy can be seen daily till March 20 in an award-winning production at Theater am Kurfürstendamm (882 3789)

■ NEW YORK

THEATRE

● Hello Again: Michael John LaChiusa's sexy and adventurous musical is the new off-Broadway hit of the season (Mitzi E. Newhouse, Lincoln Center, 239 6200)

● Angels in America: Tony Kushner's epic two-part drama - about religion, sex, Aids and corrupt politics - conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)

● Four Dogs and a Bone: John Patrick Shanley's comedy about movie-making and power plays in Hollywood was one of off-Broadway's biggest hits last autumn (Lucille Lortel, 121 Christopher St, 924 8782)

● Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of authors trying to write a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)

● The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)

● Carousel: Nicholas Hytner's acclaimed production of Rodgers and Hammerstein's 1945 musical comes to New York via London's National Theatre. In previews (Vivian Beaumont, Lincoln Center, 239 6200)

● My Fair Lady: Howard Davies' genial new production of the Lerner and Loewe musical, with Richard Chamberlain as a suave Professor Higgins and Melissa Errico the attractive Eliza (Virginia, 245 West 52nd St, 239 6200)

● She Loves Me: the 1963 Bock, Harnick and Masteroff musical is a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100)

● Crazy for You: the award-winning musical comedy based on Gershwin's 1930 hit Girl Crazy (Shubert, 225 West 44th St, 239 6200)

DANCE/OPERA

State Theater This is the final week of New York City Ballet's winter season. It includes all-Balanchine programmes on Wed and Fri, new works by Peter Martins and Richard Tanner on Sat and a gala benefit on Sun featuring a Martins world premiere entitled Papillons. Next week: Mikhail Baryshnikov's White Oak Dance Project. March 11-27: Dance Theatre of Harlem (870 5570)

Metropolitan Opera Tonight's performance is the first this season of Poulenc's Dialogues de Carmélites, with Dawn Upshaw, Teresa Stratas and Helga Dernesch, conducted by Kent Nagano (in repertory till March 19). Tomorrow, Sat: La fille du régiment with Harolyn Blackwell (till March 10). Wed, Sat afternoon: final performances this season of Colin Graham's new production of Death in Venice, with Anthony Rolfe Johnson and Thomas Allen. Thurs: Le nozze di Figaro with James Morris and Marie McLaughlin. March 2, 5, 9, 12: Stiffelio with Placido Domingo. March 3, 7, 11, 14, 19, 23, 26: Mirella Freni stars in Adriana Lecouvreur (362 6000)

CONCERTS

Avery Fisher Hall Tonight: Yevgeny Svetlanov conducts Russian State Symphony Orchestra in works by Tchaikovsky, Musorgsky, Rimsky-Korsakov, Borodin and Stravinsky. Tomorrow: Valery Gergiev conducts New York Philharmonic Orchestra in Rimsky-Korsakov, Berlioz and Musorgsky/Ravel. Thurs, Fri, next Tues: Leonard Slatkin conducts NYPO in works by Kolb, Sibelius and Vaughan Williams, with violin soloist Joshua Bell. March 4: Yevgeny Kissin piano recital (875 5030)

Carnegie Hall Tomorrow: Isaac Stern, Emanuel Ax, Jamie Laredo and Yo Yo Ma in piano quartets by Mozart, Fauré and Dvorak. Fri: José van Dam song recital (247 7800)

JAZZ/CABARET

Blue Note George Shearing duo and Kenny Burrell trio begin an engagement tomorrow (131 West 3rd St, 475 8592)

Carlyle Hotel Eartha Kitt is in the midst of a six-week run, still keeping a feral grip on her audience (Madison Ave at 76th St, 744 1600)

Rainbow & Stars American veteran Rosemary Clooney, renowned for her supple voice, funny presentation and experienced back-up band, continues her month-long engagement (30 Rockefeller Plaza, 632 5000)

■ PARIS

MUSIC/DANCE

Opéra Bastille Repertory for the next two weeks consists of a new production of Salome and a revival of Bob Wilson's production of Die Zauberflöte. The Strauss is conducted by Myung-Whun Chung and directed by André Engel, with Karen Huffstodt, Leonie Rysanek and Monte Pederson. The Mozart, conducted by Jonathan Darlington, has a cast headed by Janice Watson, Laurence Dale and Manfred Hemm (4473 1300)

Palais Garnier Ballet de l'Opéra de Paris presents a Nijinski triple bill tomorrow, Wed, Fri, Sat and next Mon. The next production is a Roland Petit evening, first night March 9 (4742 5371)

Salle Pleyel Semyon Bychkov conducts Orchestre de Paris on Wed and Thurs in works by Berio and Berlioz, with vocal ensemble Electric Phoenix (4561 0630)

Théâtre des Champs-Elysées Stephen Kovacevich plays Beethoven piano sonatas on Sun morning (4952 5050)

THEATRE

● Hamlet: Shakespeare's play, directed by Georges Lavaudant, is the latest addition to the repertory of the Comédie Française (4015 0015)

● Children of the Sun (Les Estivants): Maxim Gorki's pre-revolutionary drama is directed by Lluis Pasqual at Odeon-Théâtre de l'Europe. Final week (4441 3636)

● Happy Days: the Samuel Beckett masterwork in which Winnie (Denise Gence) is gradually buried up to her neck in sand - one of Beckett's metaphors for the inescapable traps of life. Till March 6 at Théâtre national de la Colline (4366 4360)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
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FRIDAY
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Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
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A Prussian in the White House

MICHAEL PROWSE on AMERICA

Bill Clinton faces a vexing decision. Should he and his general staff (the White House National Economic Council) wear army fatigues? Or would it make more sense to wear tracksuits emblazoned "Team USA"?

Frankly, I don't think it matters a great deal. For trade wars with Japan, I would recommend army uniforms with lashings of gold braid. I would give Robert Rubin, the NEC director, a military rank and award campaign medals to staff who devise particularly ingenious trade sanctions.

I would reserve the Team USA tracksuits for more routine tasks, such as presidential lobbying on behalf of corporate America. Last week, Mr Clinton described the $6bn aircraft deal with Saudi Arabia as a "gold medal win for America's businesses and workers". He was too modest. Having bombarded King Fahd with letters and phone calls – and having sent secretary of state Warren Christopher to Riyadh to plead for business – Mr Clinton deserves the medal himself.

The US is in its third year of a robust economic recovery. Business investment and productivity are soaring. The US share of foreign markets is up sharply. The budget and trade deficits are much reduced. Unemployment has fallen sharply, to well below 7 per cent. Europe and Japan, by contrast, are floundering in recession. In the circumstances, you might expect the White House to feel relaxed, even magnanimous.

Instead, Mr Clinton and his senior advisers are behaving like economic delinquents. In December, Mr Clinton hailed the merits of the Uruguay Round, which promises to deregulate agriculture and financial services, sectors in which the US is highly competitive. As a "new democrat" he was all for multilateral trade liberalisation under the Gatt.

Yet a mere two months later, he solemnly chastises Mr Morihiro Hosokawa, Japan's reform-minded prime minister, for refusing to accept numerical targets for import growth in selected industrial sectors. Such targets – essentially a government commitment to reserve a portion of Japan's home market for US and foreign companies – are the very antithesis of the Gatt principles that Mr Clinton was promoting so hard last year. Perhaps Mr Clinton is genuinely incapable of understanding the contradiction. If so, it is lamentable that economically literate senior aides – including Larry Summers at the Treasury – are so eager to play this charade.

US officials, of course, sometimes claim they are not demanding numerical targets. All they want are quantitative benchmarks to judge progress in opening Japanese markets. This is spurious talk of medal-winning dimensions. It is not as though Japanese trade figures are a state secret: quantitative measures of progress in opening specific markets have always been readily available.

In any case, as a member of a multilateral system, the US simply has no right to act as judge and jury on Japanese trade practices. To put US behaviour in perspective, suppose France analysed US wine consumption and found an unfair bias in favour of inferior Californian brands. Would Mr Clinton be happy if President Mitterrand unilaterally set a numerical target for increased US imports of French Burgundy? Of course not: he would instantly condemn such bully-boy tactics.

The obsession with the Japanese bilateral imbalance is even more fatuous. White House talk of impenetrable barriers creates the false impression that Japan buys virtually nothing from the US. In reality, US exports to Japan were $48bn last year, making it America's second most important market. The bilateral deficit with Japan is declining relative to US national income.

But even if it were rising, it would signify nothing. Surely Mr Clinton's high-powered economic advisers have not forgotten the very first lesson of economics: that trade is beneficial because it facilitates specialisation and division of labour. The last thing we should expect or want is balanced trade between every pair of countries.

The almost gloating way in which Mr Clinton (with Mr Christopher dutifully in attendance) announced his trade deal with King Fahd is particularly disturbing. Nobody can deny that political leaders in other countries have sought economic favours. But in past years, transgressions by smaller countries were comparatively unimportant because US commitment to market principles guaranteed the survival of a liberal global trading order. When the boundaries between government and business begin to blur in the world's biggest economy, the outlook is indeed grim. European and Japanese leaders are certain to respond by redoubling their efforts on behalf of their national champions.

For 200 years two quite distinct capitalist philosophies have vied for supremacy. The first is the English concept (not always respected by British governments) of genuinely liberal competition in which governments keep off the pitch and companies compete solely on the basis on commercial merit. The second is the corporatist state – first perfected by 19th century Prussia – in which government acts as sponsor of domestic business in an "economic war" against other nations.

Sadly, Mr Clinton seems to be leaning in the Prussian direction. No true market liberal would brag about winning contracts for businessmen, or set unilateral targets for another nation's imports, or pour taxpayers' funds into a domestic industrial policy. Yet Mr Clinton is doing all of this – and with relish. He believes the US is in a race with Japan and the European Union for economic supremacy in the 21st century, and he intends to take the gold. We are again seeing the ugly face of economic nationalism.

Tender loving care for better workers

The company of the future will put more emphasis on looking after human assets, says Charles Handy

PERSONAL VIEW

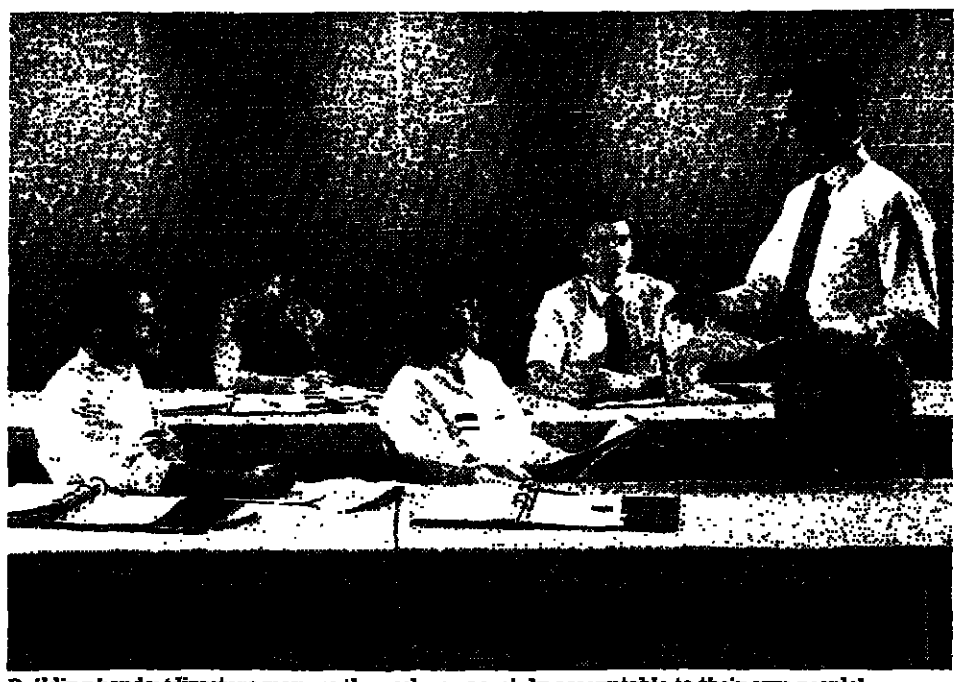
What will be the shape of tomorrow's companies? Almost certainly they will look and feel very different from today. If they do not Britain's competitiveness will surely sink. The 1993 world competitiveness survey by the World Economic Forum put Britain 16th out of 22 countries, with particularly low scores for innovation, science and technology, management and people – precisely the assets needed in a constantly changing world and when applied intelligence is the main source of future wealth.

For one thing, companies will be much smaller: "½ x 2 x 3" is becoming the essential formula for those who want to remain competitive in an interconnected world – half as many people, paid twice as well (because they keep the best), producing three times as much added value. Then repeat the exercise: it is possible – an estimated 65 per cent of most company's activities do not add value. No longer are so many people needed to make things happen. Those left become crucial human capital.

It will not, however, be easy to define or describe many companies. They will be a web of alliances, joint projects, arrangements and pacts. More risks will be shared. Companies will have centres but rather than head offices they will be small centres designed on the principle of "reverse delegation" with the centre only doing what the parts on their own cannot do and which they, therefore, delegate to the centre. Companies will be federations of bits and pieces, joined together in different ways for different purposes.

As a result, it will be increasingly difficult for shareholders to know what they are buying into, or to what sort of risks they are exposed. It will be all the more difficult because the real assets of the business, the intellectual assets, will still be largely unquantifiable, unless accountancy groups come up with new measures.

In the best businesses today the market value of the business is three or four times the tangible assets and, in a good manufacturing company, labour costs should not be more than 10 per cent of the product price. That leaves lots of unmeasured space. Shareholders will be more careful about long-term money and more likely to want some money today rather than possibly more money later.



Building bonds: 'directors may see themselves as mainly accountable to their own people'

Contrary, therefore, to most prescriptions for better corporate governance, we may see companies edging further away from shareholders in an attempt to give more emphasis to the long-term future of the business. Directors may see themselves as mainly accountable to their own people who have a real incentive to build a better future. To put it another way, when human capital becomes more important than financial capital, it will be the human capital which calls the tunes. This may be a gradual change but it will be profound.

In the end, the driving motive for most senior managers is to build a sustainable enterprise. To achieve this and to recognise their new accountability to human capital, companies will look for ways to turn key people into quasi-partners. Some will hope to do that by more consultation. But ultimately partnership means money, not talk. That is likely to entail not share option schemes, which are a form of risk-free betting, but genuine share ownership, perhaps with double voting rights as in some continental companies, and with substantial shares in each year's added value. This will not be primarily an incentive for employees, rather will it be an expression of their membership rights.

Some companies may decide to venture further down this membership route, limiting voting rights to large investors (owning more than 1 per cent, perhaps) or to their own people. It will always be a cautious experiment, however, for fear of alienating the wider market which will not want to see its rights eroded too far. The formal aim of the company would still be as it has always been: "to add value". But value would no longer be determined solely by the price of the shares, but by other measures of the long-term health of the business – measures which would be more relevant to the membership than to temporary, smaller investors.

To continue to add ever more value, companies will have to be "inclusive", building long-term relationships with customers, suppliers and the community. But all the main constituents would then pull in one direction – the sustainable future of the business.

Tomorrow's companies will do all this because they will need to – not because of some ideological pressure. If they do not treat central people as partners and members, those people – whose talents provide the intellectual assets of the business – will be free to treat the company as a stepping-stone.

Without the bonds of membership, companies will have to make do with "actor career" characters hired for projects or on short-term contracts and moving on to other companies when the projects or contracts end. The modern American executive is said to change jobs 10 times in a career. Modern Britain may not be far behind. A world of such connections bodes ill for wealth creation. Joseph Schumpeter predicted that capitalism would fail when it ceased to draw on any sense of "moral allegiance". Britain faces that danger now.

"Actors' careers" and individualist tracks also put the onus on the individual to manage his or her life. If they choose to rent themselves to a company, the company will milk them. If the individuals do not like the milking they can always leave – or ask for more money to stay. That way the "½ x 2 x 3" formula translates as half as many people paid twice as well to *work* three times as long. "24-7's" (24 hours a day, seven days a week) they call them in Los Angeles. More accurately, they are cramming the 100,000 hours of a normal working life into 25 years instead of 50, which makes for 75-hour weeks and burn-out at 45.

Milking assets to that extent makes only short-term sense. Work can become addictive, until we lose ourselves in our busy-ness. But boring people are wasting assets and addicted people lose perspective. A membership ethos would encourage a company to take more care to cosset its assets, to invest in them as well as to work them, to encourage such things as educational terms and sabbaticals, maternity/paternity breaks, to allow people to organise chunks of their lives in different ways, and to respect part-time wisdom and expertise as much as full-time energy. If they do not, companies may find that they are squeezing out most of their women, as well as some of their men, who want a more balanced life.

The idea of membership is not the same as the life-time employment of Japan, for the contract can be ended by either party, but it is edging that way. The idea of a more restricted role for the temporary investor is not the full continental European model, but it has the same vibrations.

Meanwhile the Japanese and continental Europeans are gradually loosening their models of the company and of the capital market, becoming more like Anglo-American examples. In an increasingly interconnected world, evolutionary theory suggests different species tend to converge, while retaining distinctive plumages. Given where the UK is starting from, it would do us no harm to give evolution a push.

The author is visiting professor at London Business School. His new book, The Empty Raincoat, is published by Hutchinson (£12.99)

LETTERS TO THE EDITOR

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Ageist attitude will deter best brains

From M J Feinson.

Sir, With reference to John Major's exhortation to the best brains to enter industry ("PM asks top brains to enter industry", February 12-13), can anyone really advocate having a working life of only 25 years? Assuming the best brains are graduates, they will not enter industry until they are 21. Judging by the job advertisements, and current recruiting practices, they will not be employable after the age of 45. Effectively they have to earn enough in 25 years to keep themselves for the next 30 years. Is that really an attractive proposition? Until industry changes its ageist attitude, it does not deserve to have the best brains.

M J Feinson,
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BAe set the standard for winning defence contracts

From Dr Maurice C S Dixon.

Sir, Your article "BAe shareholders weigh up old guard's power" (February 14), is not alone in dwelling on the need "to wean" the "operating chiefs" of the British Aerospace defence business "from their old cost plus ways". As one who held senior positions for a number of years in that business may I set the record straight.

It was the former Hawker Siddeley Aviation and British Aircraft Corporation that were combined through nationalisation in the late 1970s to form British Aerospace. In the early 1970s Hawker Siddeley management had launched the Hawk fighter trainer aircraft having won the project through competitive tender run by the Ministry of Defence. The Hawk contract was fixed price, covering both the development of the aircraft and the supply of the first production batches. Meanwhile, the management of BAC had entered the Anglo-French Jaguar and tri-national Tornado collaborative aircraft programmes at a time when collaboration was both unproven and considered in certain circles to be doomed to failure.

Those policies and programmes predated British Aerospace but laid the foundations for the successes of the company throughout the 1980s and up to the present day. The defence management team not only delivered these products to our Royal Air Force but leveraged off of the programmes to win a series of highly successful export orders, none of which was cost plus. The UK defence equipment industry, including GEC Marconi, would not be in the position it is today had the British Aerospace defence team not won those orders.

Whatever the causes of BAe's problems of recent years, management of its defence business is not one of them. The management team has comparable, if not more, experience in successful management of substantial fixed price contracts than any other major UK company.

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Age structure not least of Irish economic problems

From Dr David Hitchens and Mr Esmond Birnie.

Sir, Dr Garret Fitzgerald, (Personal View, February 15) in his consideration of positive aspects of Ireland's economy, focuses on the age structure of the population as the constraint on raising living standards, but Ireland has a productivity/competitiveness problem as marked as this.

While low living standards in Ireland are largely a function of the small proportion of the population in employment, this is only partly caused by the greater proportion of young people in the Irish population. In 1992 just over half of the Irish population of working age were in employment, but in the UK the proportion was almost 70 per cent. There has been a long-run failure to generate a sufficiently large industrial base and this failure is a reflection of a lack of competitiveness.

In the aggregate statistics the unfavourable performance of domestically owned firms is masked by the very rapid growth of the foreign-owned manufacturing sector. Detailed study of Irish indigenous enterprises in sectors such as farming, transport, energy, tourism and business services indicates that productivity levels are substantially lower than those in the UK. Irish products are frequently uncompetitive with respect to price or non-price characteristics.

The increase in gross domestic product has indeed been rapid during 1988-1993 but it is usually accepted that GNP provides a better indicator of the Irish population's material well-being because it makes allowance for the burgeoning outflows of profit and interest payments (these outflows are one consequence of the heavy reliance on international firms). GNP per capita remains only two-thirds of the UK average.

Dr Fitzgerald considers the last five years, but when a longer time perspective (eg, the last 30 or 70 years) has been considered it has usually been concluded that the rate of "catch up" on the levels of GDP per capita in the UK or elsewhere is less than that which could be reasonably expected. Past performance suggests there is more wrong with the Irish economy than simply a delayed transition to low birth rates.

David Hitchens,
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Mitigating mortgage risks

From Mr Malcolm P Basing.

Sir, I read with interest Barry Riley's article, "Yielding no quarter" (February 12-13), which discussed the problems in managing the risks inherent in meeting the demand for fixed rate mortgages from a floating rate funding base. I was surprised that no mention was made of the modern risk management techniques available to mitigate and control such risks, in particular derivatives. This omission is all the more surprising since building societies are already extensive users of such instruments.

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UK's use of the democratic system going wrong somewhere

From D H Biesterfield.

Sir, As is common to most of those who bemoan the Tories' "steady, purposive and highly effective destruction of local democracy", Joe Rogaly ("Dustbin-lids to the fore", February 15) omits to mention that local democratic government is for most voters just as unaccountable as central government. In that light the end result is much more important than the route by which it is reached.

Hence the "pretty picture" which Mr Rogaly suggests is conveyed by the mandarins, of schools run by school boards and of hospitals run by hospital trusts is far more than superficially appealing to the consumers involved.

In many historically Labour-controlled areas there is a justified feeling of disenfranchisement among non-Labour voters. This feeling is now in danger of taking root at national level among those who did not vote for the present government.

Democracy, or our use of it, is going wrong somewhere, but whether this is the failure of the system in a structural sense or results from the inadequacy of politicians to present viable alternatives to their electorate is open to debate.

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FINANCIAL TIMES
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End-game on enlargement

Today in Brussels, negotiations on admitting four new members to the European Union enter what should be their final lap. Foreign ministers from the 12 existing members and the four would-be entrants – Sweden, Norway, Finland and Austria – have every incentive to make this round conclusive. If the talks do not show decisive progress in the next week, it will be difficult, if not impossible, for the four applicants to hold their planned ratification referendums and join by the target date of January 1995. As important, the whole enlargement process may lose momentum. The result would be further damage to the EU's battered effectiveness and self-esteem – and further delay on the equally pressing question of bringing in the nascent market economies of central Europe.

Fortunately, the hopes for a breakthrough are now better than at any time since the negotiations were seriously joined last year. Public opinion is moving in favour of entry even in the most sceptical candidate country, Norway. Opposition among the Nordic states to the EU's terms on the stickiest problems still to be resolved – agriculture and the budget – appears to be softening, assisted by figures from the European Commission indicating that their net contributions to the Union budget will be even more modest than previously thought.

It is too soon to celebrate, however. The EU's bargaining position could yet be thrown into confusion by additional budgetary demands from the poorer southern states, led by Spain.

The issues of how to align the applicant countries' farm protection regimes with the Common Agricultural Policy, and how to compensate farmers who stand to lose in the process, still present obstacles that will only be surmounted with creative thinking from both sides.

Volatile electorates

The challenge is to produce enlargement agreements attractive enough to secure acceptance by the volatile electorates of the four applicants, without destabilising the delicate web of budgetary and other agreements between the existing 12. Even on agriculture, where Finland, Austria and Norway currently guarantee their farmers prices 25 to 100 per cent higher than under the CAP, that should not be beyond the negotiators.

The EU's proposal, for a "big bang" realignment of prices, compensated through direct payments to farmers threatened with reduced incomes, is sensible. The alternative – a phased transition, during which price differences would be ironed out with border levies – would generate prolonged uncertainty, interfere with the single market, and further complicate the still problematic task of CAP reform. What is more, the EU proposal offers applicant governments powerful ammunition with which to sell an agreement to their voters, in the form of sharply lower food prices for consumers.

Frozen north

Their core problem is how to deal with their seriously disadvantaged farmers – those who toil in the frozen north and on Alpine pastures. Understandably perhaps, the candidate countries are balking at the EU's suggestion that they fund compensation payments themselves: they want assistance in doing so from the Union, as well as generous treatment for their poorer areas under EU regional funds. This is where the haggling will focus over the next few days, with Spain and its southern allies pushing a hard line on the regional funds and other EU governments withholding budgetary concessions until the last possible moment.

While most of Spain's demands can be dismissed as predictable special pleading, the EU as a whole is wise to adopt a hard-nosed approach on the budget. The countries seeking membership are all at the upper end of the EU's income scale and, if they choose for cultural, environmental or other reasons to subsidise agriculture in regions where it is manifestly unprofitable, they should contribute towards those subsidies from their national exchequers, subject to EU control. Equally, it is strongly in the EU's interests to bring these negotiations to a brisk conclusion. If the price of doing so turns out to involve a modest top-up for such national assistance, that should not be an insuperable obstacle to reaching a final agreement.

Selling the railways

The privatisation of British Rail is moving into the implementation stage. After the furore in parliament over the legislation, the government's ambitious plans to privatise the railways are now being put into effect. A new industrial sector must be created and financed to operate the privatised rail network.

The privatisation of passenger rail services as 24 rail operating companies will present early opportunities for private sector involvement. The first route to be put out to tender, the Gatwick Express between London and Gatwick airport, is already running as a shadow franchise under the existing management. Later this year, the franchise for running the line will be put out to tender.

Several more shadow franchises will be established in April, in preparation for tendering early next year. On most routes, the managers will be encouraged to lead management buyouts. At the same time as passenger services are privatised, other parts of British Rail will be prepared for sale.

These include freight operations and the three leasing companies that will lease rolling stock to the operating companies. BR's maintenance operations are to be privatised as more than a dozen competing companies. And Railtrack, the organisation created to run the rail infrastructure, will take over responsibility for the network from April.

The success of rail privatisation, however, will be judged by the benefits it brings for passengers. Ensuring that the customer sees real improvements in services requires the emergence of competitive and entrepreneurial rail operators. Businesses thinking about entering this new market – or providing finance for it – will need to be convinced that there are profitable opportunities.

Charges

There must be grounds for concern, therefore, over the charges that operators will have to pay for using the railway network. The charges will rightly reflect the operating costs of Railtrack on the routes covered by each franchise. These include track maintenance, signalling costs, depot charges and the cost of electricity. Amazingly, some of these were not allocated to particular lines under BR's internal accounting system. But the charges also reflect a Treasury target that Railtrack should make a 5.6 per cent return on its assets, valued at around £6.5bn. The rate of return will rise to 8 per cent within four years.

Tight target

This target is excessively tight. An 8 per cent rate of return is unnecessarily steep for what is essentially a utility. As for the value put on the assets, it can plausibly be argued that it should be much higher than £6.5bn, since BR still owns a lot of land in inner-city sites. Alternatively, it might be set much lower given the age of much of the track, signalling and stations and their run-down state.

What is clear is that applying such a high rate of return to this asset value will add around £500m to the charges that rail operators must pay. Bumping up charges in this way could lead to the rail network being used inefficiently at much less than capacity. It will also mean that fewer of the franchises will be profitable without public subsidy. This creates a merry-go-round in which the revenue extracted by the Treasury from Railtrack must be paid out in subsidies to rail operators to pay higher-than-necessary track charges.

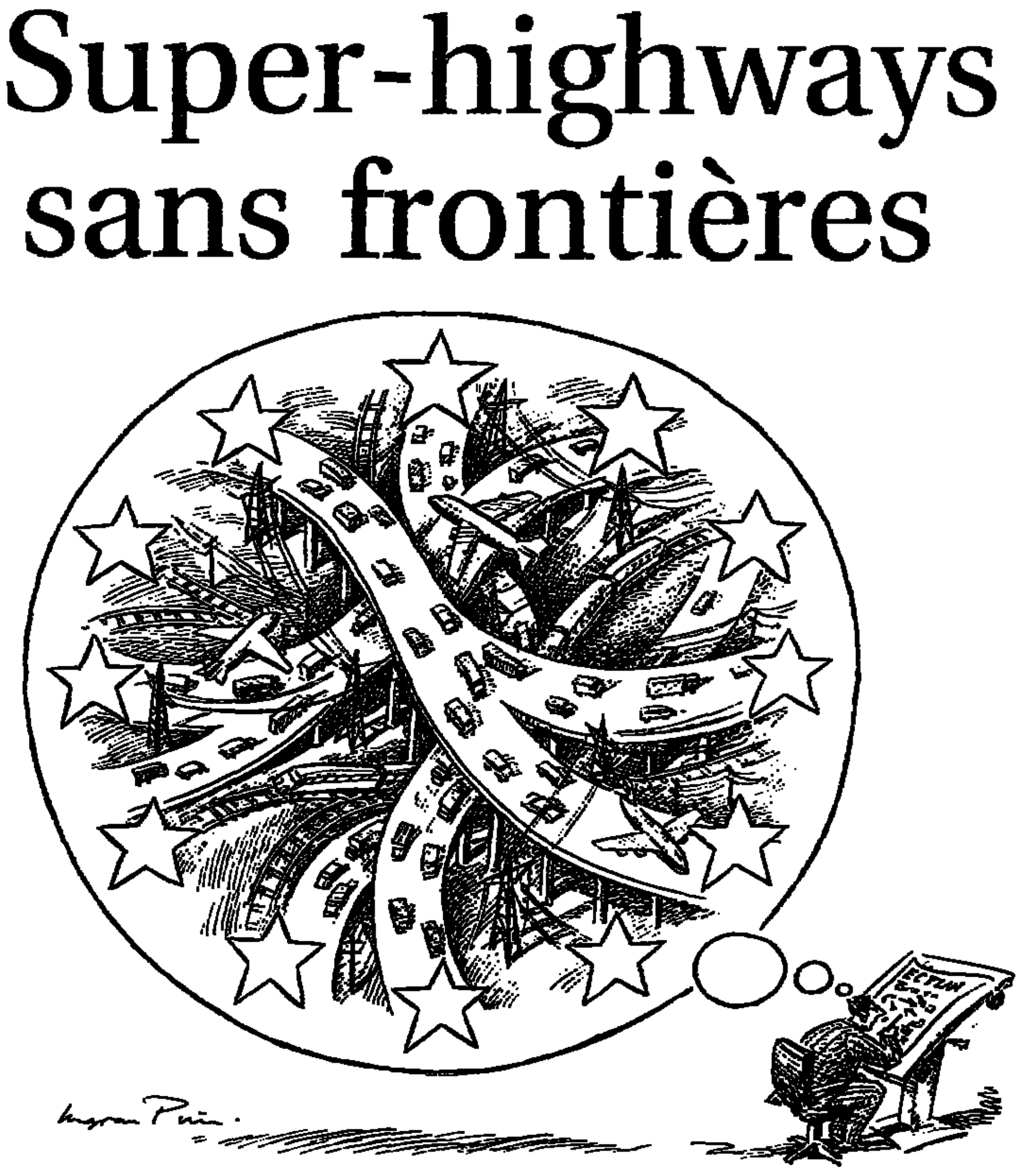
The aim of these arrangements is to concentrate public subsidy for passenger services on one part of the system – the rail operators. The operator can, of course, still make a profit while receiving a subsidy, by maximising revenues and efficiency.

However, businesses thinking about entering this new market may find the prospect of relying on Treasury subsidies for the duration of a franchise less than appetising. This will be especially the case if the government agrees to franchise periods as long as 15 years to encourage operators to invest in new rolling stock.

The arrangements for setting Railtrack's charges are likely to reduce the attractiveness of investment opportunities in rail operations. Given the need to attract businesses into this new sector, this cannot be an outcome that is welcome to supporters of privatisation.

Hugo Dixon on European Union plans for pan-continental networks to give the single market an infrastructure backbone

Super-highways sans frontières



If the European Commission has a big idea these days, it is trans-European networks. The bruising struggle to ratify the Maastricht treaty and the near-collapse of the exchange rate mechanism last year may have knocked monetary union off course. But across Brussels, dozens of Eurocrats are beavering away at the next ambitious programme for European integration: a plan to develop transport, energy and telecommunications networks spanning the continent.

The initiative was launched with much fanfare last December by Commission president Jacques Delors. His white paper on Europe's competitiveness listed a large number of new railway, road, telecommunications, gas, electricity, airport and port projects that would knit Europe's far-flung regions with the core of the European Union, and provide an infrastructure backbone for the single market. The networks would also extend beyond the Union into European Free Trade Association countries and eastern Europe.

The programme's total cost is put at Ecu400bn (£300bn) by the end of the century. Of this, Ecu220bn would be for transport projects, Ecu150bn for telecommunications and Ecu30bn for energy.

Leaders at last December's Brussels summit gave the initiative a qualified go-ahead. They approved the overall thrust, but not specific details – in particular Commission plans for financing the programme.

Now the Commission's challenge is to refine its plans and win over the doubters. A crucial role will be played by Mr Henning Christophersen, the economics commissioner, who will today chair the second meeting of a taskforce consisting of high-level officials from each member state. The group will hear new Commission ideas on how the initiative could be financed. It will also discuss which transport and energy projects should receive priority.

A parallel taskforce, consisting of telecommunications users, operators and manufacturers, is being chaired by Mr Martin Bangemann, the industry commissioner. It will look at how an advanced telecommunications infrastructure – which would be needed if, say, "teleworking" from home was to become much more common – can be developed. The Commission is anxious that Europe does not fall behind the US, where the Clinton administration is trying to encourage the construction of such "information superhighways".

Meanwhile, officials from more than half a dozen Commission directorates are working on detailed aspects of the trans-European networks initiative. Both the Christophersen and Bangemann groups will present progress reports to the next European summit in Corfu in June.

The reason the initiative was launched was belief in Brussels that European businesses and consumers are disadvantaged because networks have developed on national rather than transnational lines. "Networks were designed to satisfy the European nation states of the 19th century," says Mr Christophersen.

There are many examples of what Commission officials see as anomalies: cross-border phone calls cost three times as much as domestic calls of a similar distance; air travellers can face long delays because poorly co-ordinated national air traffic control systems cannot handle as many flights as a single unified system; Italian lorries thunder through the Rhine Valley on their way to Rotterdam because Italy's ports are not modern enough; and there are as yet no high-speed rail links between national capitals.

Enthusiasm in Brussels is one thing; winning the necessary support – and finance – from member states is quite another. The general idea that fragmented networks damage Europe's competitiveness has widespread acceptance. That was why an article was written into the Maastricht treaty giving the Commission authority to draw up proposals for trans-European networks and promote their development.

But there is still much debate about three big questions. Are all the projects identified by the Commission really necessary? Will the Union need to subsidise the networks or can investment be left to member states and private companies? Will the networks develop faster and more efficiently if traditional national monopolies in telecommunications, energy and transport are abolished?

Doubts over the list of projects stem largely from the way they have been chosen. The Commission asked member states to propose candidates and then collated the suggestions into master plans. But because favoured projects may qualify for EU subsidies, each government had an incentive to get as many of its national projects as possible included.

The initiative is viewed in some quarters as the next European gravy train. "It is about money," admits a transport official in one member state.

The Commission is anxious that Europe does not fall behind the US and its 'information superhighways'

This explains why the programme's cost has reached a staggering Ecu400bn. It also explains why the list includes projects which appear to be of mainly national, rather than pan-European, benefit. For example, the master plan for trans-European roads – consisting of 55,000km of roads, 12,000km of them motorways – is largely an amalgamation of existing national road plans.

Officials argue that, even when infrastructure is confined to a single member state, it may be of broader European interest for two reasons:

- Spill-over effects. For example, Ireland has an interest in motorways being built across England and Wales so its traffic can have easy access to the Channel tunnel. Equally, a planned railway from Rotterdam to the border with Germany will be more profitable if Germany continues the line into its industrial Ruhr region.
- Incompatible standards. For example, trains travelling from Sweden to Denmark have to switch to a different electricity system. Similarly, many advanced telecommunications services such as electronic mail systems do not interconnect smoothly across borders.

The Commission believes it can play a useful role in co-ordinating investment plans across frontiers. One way of achieving this could be for the Commission to hold round-table discussions for particular projects to identify what is stopping them moving ahead. The Commission would then knock heads together to remove the blockages.

A prime candidate would be air-traffic control, says Mr Robert Coleman, head of the Commission's transport directorate. National air-traffic controllers have been discussing harmonising their systems for years without much progress. The new powers in the Maastricht treaty would allow aviation ministers to vote on a common approach and then make it stick.

Mr Christophersen admits that not every project in the overall programme is equally important. But he says the Commission has already made a preliminary selection of priority projects which cost only Ecu160bn. His taskforce will further refine priorities.

Examples of the priority projects include: high-speed rail links between London, Paris, Brussels, Cologne and Amsterdam at a total cost of Ecu8.5bn; a motorway from Berlin to Moscow via Warsaw costing Ecu3.2bn; and a new Athens airport costing Ecu2bn.

Even if agreement is reached on priorities, the financing of the new networks will remain controversial. In his white paper, Mr Delors argued that the Union would need to provide Ecu20bn a year in subsidies and loans.

Of this, Ecu5bn would come from the Union's cohesion and structural funds. These channel aid to Europe's poorest regions and countries: in particular, Spain, Portugal, Greece and Ireland. This money has already been earmarked in the Union's budget.

A further Ecu7bn, Mr Delors suggested, could be raised by loans from the European Investment Bank. The final Ecu8bn would be raised on the financial markets by the Commission and then lent to governments or private companies.

This last proposal, for what were dubbed "Union Bonds", caused particular controversy at the Brussels summit. Germany and the UK criticised it on the grounds that borrowing by the Commission would offer governments a back-door route to avoiding public expenditure disciplines.

The critics were also concerned that the Commission's AAA credit rating in financial markets might be damaged if it made large loans to countries with poorer credit ratings,

Abolishing monopolies would allow private investment to flow into infrastructure projects

such as Greece and Italy. They said that, if more money for infrastructure investment was needed, it should come from the EIB which has a track record in project finance.

These objections have caused the Commission to beat a tactical retreat. Mr Christophersen says Union Bonds are just one of several financial instruments that could boost infrastructure investment.

Mr Enrico Cioffi, head of the Commission's investment directorate, suggests other possibilities:

- Bonds, issued by the Commission but linked to particular road, rail, air or maritime traffic projects. Coupons paid to investors might depend on the volume of traffic the project attracts.
- Loan guarantees by the Commission. These could be used for those parts of a network located outside the Union such as motorways or telecommunications lines extending into eastern Europe.

Although the Commission is no longer pushing Union Bonds as the main option, the thinking behind the other ideas remains the same: the Commission could use its AAA status to cut borrowing costs for countries with lower credit ratings. The benefit for states such as Greece, Italy, Ireland and Denmark could be the equivalent of between half and one percentage point off interest rates, says Mr Cioffi. But such proposals could run into the same opposition from member states as Union Bonds.

Part of the Ecu20bn envisaged by Mr Delors could be provided as direct subsidies to projects, though the Commission has yet to spell out how this might work. Subsidies would not necessarily be limited to regions that already qualify for structural and cohesion funds.

Some member states, however, are worried that such handouts could be a waste of public money. They could merely lead to the construction of grandiose projects with little economic benefit.

Whatever is decided on Union funding, there is a consensus that national budgets are so strapped that the bulk of the money for trans-European networks will have to come from the private sector. This raises the question of whether a bigger push is needed to privatise and liberalise monopoly sectors.

There are sharp differences between member states over liberalisation. The UK has traditionally led the free-market group, while France has supported the continuation of public-sector monopolies.

Within the Commission, there are similar, though less sharp, differences. Most officials agree that liberalisation would help the trans-European network initiative, but they differ over whether the Commission needs to do more than it is already doing.

The liberal camp believes that national monopolies in transport, telecommunications and energy are the root cause of fragmented networks. Public-sector monopolies have little incentive to look beyond their national frontiers, while their monopoly status has prevented private operators building transnational links instead.

Those who hold this view point to the US, where transcontinental networks and competitive markets go hand in hand. In particular, they say a lesson is to be learnt from the Clinton administration which is seeking to develop US information superhighways by liberalising the telecommunications and cable television industries, rather than pumping in government money.

Abolishing monopolies would allow private investment to flow into infrastructure projects. Priorities would be chosen on economic criteria as companies sought out the most profitable opportunities. There would also be less need to co-ordinate investment as operators would be free to range across boundaries.

"The big issue is lifting the restrictions. That is the only way of mobilising the investment," says Mr Herbert Ungerer, who runs the Commission's telecommunications policy unit.

But others say that liberalisation is not the complete story. For a start, it is harder to apply the approach in loss-making sectors such as railways and roads than in profitable sectors such as telecommunications and energy. Moreover, even in a liberalised market there would be a need for co-ordinated investment and harmonised standards.

Such issues will have to be addressed by EU member states in the next few months, if the foundations of trans-European networks are to be laid before the end of the century. With the future of European competitiveness at stake, there is already some impetus behind the plans. But if the trans-European network initiative is really to gather momentum, members will have to overcome any qualms they may have about a fresh commitment to working together on a pan-continental scale.

OBSERVER

Comfort stations

■ Spare a thought for Sir Peter Harding, the marshal of the RAF and chief of defence staff. As if he did not have enough on his plate advising the Cabinet about sending troops to Bosnia, he also has to find cuts of £1bn a year in the Ministry of Defence's budget.

His pinstriped troops have been forced to review everything from procurement costs down to the things that the military really care about, such as military bands, animals, and uniformed vets.

However, Observer can report that one vital defence cut has been restored. When Air Chief Marshall Sir "Sandy" Wilson takes over the RAF's new admin headquarters at Innsworth he'll find that the number of VIP toilets under his command is back to full strength.

The MoD has shot down a report that a proposed library in the officers' mess at RAF Innsworth had been scrapped in favour of a powder room for the new commander's wife. The MoD admitted that the plans had been "amended" to increase the number of VIP privies from one to two, but said that all its commands have two VIP toilets.

There was also no question of the officers going without their reading matter for the convenience of the commander's wife. The new mess would still have a library. That's a relief.

Sunny side up

■ Last week Observer drew attention to Alison Cottrell, Midland Bank's global interest rate watcher, who tracks the timetable of international events when making her predictions. Now Sushil Wadhwani and Mushtaq Shah of Goldman Sachs in London suggest a correlation between the weather and equity performance. They have found that the proportion of low cloud cover days when the stock market rises is above 50 per cent, and almost the converse when cloud cover is high. "Hence," they add, "on the presumption that, one day, the sun will start shining again on New York city, we are bullish about equities".

Setting an example

■ David Mellor, the former Tory Cabinet minister, is learning fast. He's been taken on as a senior adviser to accountants Ernst & Young, adding to his increasingly fat portfolio of business consultancies.

'I declare this country open for democracy'

Mellor's policy of concentrating on advisory jobs, rather than company directorships, makes a lot of sense. Not only do most consultancy jobs pay far better than the average non-executive director's fee, but they involve none of the legal responsibilities of being a company director. David Howell (ex-Queens Moat Houses) and Sir Charles Powell (ex-Tiphook), are just a few of the political insiders who have sat on boards of companies that have run into trouble. It doesn't look good on their CVs.

It is much more rewarding to be employed as an adviser to a company, and much easier to disappear into the shadows if there is a hint of corporate trouble. The habit's bound to catch on.

MA anonymous

■ Another small tremor shakes Britain's newspaper buffs. The 200-year-old Morning Advertiser, bible of the drinks trade and first national daily on Fleet Street, is a daily no more.

From today, it's published just twice a week and changes its name to The Licensee and Morning Advertiser. "Today's publican is not the man of leisure who could sit down with a pint" says editor John Tomlin explaining why his famous charge has been turned into a twice weekly magazine.

Crossed wires

■ Always thought that Eurotunnel chairman Sir Alastair Morton was a bit of a loose cannon. No sooner has the government given him the chairmanship of its Private Finance Working group, than up he pops telling the other side how to do it.

Morton, who stepped down as chief executive of Eurotunnel last month, has been given star billing in Labour's press release on its new public/private sector partnership. Morton, headed the state-owned British National Oil Corporation the last time Labour was in power, but promises that he's not contributing to the opposition's new initiative. He has only agreed to speak at its conference on February 24 in order to get his views across to a wider audience. He's doing the same for the Tory's Bow Group in March.

Even so, Morton's political dexterity is bound to increase the sense in some government quarters that the sooner he gets given a proper job to do again, the better. Then, perhaps, the chairmanship of the Treasury working group can be turned over to a more government-friendly type like former BP chairman Bob Horton, now running Railtrack.

Memory lane

■ The contrasting fortunes of Manchester's two premier league football clubs have rarely been greater: witness the current joke about Francis Lee, City's new chairman. When he opened the trophy room at Maine Road, he discovered Lord Lucan and Shergar, the kidnapped Derby winner.

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Taiwan enters talks with Boeing on regional jet aircraft project

By Paul Betts in Singapore

Taiwan Aerospace is in talks with Boeing over possible joint development of a 100-seat regional jet.

The move follows the failure of talks last year between the aerospace company, which is 29 per cent owned by the Taiwan government, and British Aerospace to co-operate on a similar project.

The proposed collaboration with Boeing, the world's biggest manufacturer of commercial aircraft, could also involve co-operation with the Chinese aircraft industry as well as Japan.

The talks are the third attempt by Taiwan Aerospace, created three years ago to spearhead the country's ambitions to develop an aerospace industry, to forge an international partnership. The first proposed link was with McDonnell Douglas of the US.

Mr Richard Albrecht, a Boeing executive vice-president, said yesterday the US company was discussing the possibility of developing either a 100-seat aircraft or a small derivative of its 737 twin-engine airliner with Taiwan, China and possibly Japan.

Mr Albrecht, attending a Financial Times Aerospace conference on the eve of the Singapore Air Show, also confirmed that Boeing was conducting separate studies with the three Japanese Aerospace companies (Mitsubishi Heavy Industries, Kawasaki Heavy Industries, and Fuji Heavy Industries) on development of a new 100-seat airliner.

It was too early to say whether the Japanese companies, already long-standing partners on other Boeing programmes, including the 767 and the new the 777 wide-body aircraft, would participate on a broader collaboration project with Taiwan and China. But Boeing is stepping up efforts to put into place a longer term strategy to increase its penetration of a fast growing Chinese aviation market, which will eventually include not only mainland China but also Hong Kong and Taiwan. China was Boeing's largest single customer last year, taking delivery of 47 aircraft.

Mr Albrecht said he would soon visit Taiwan to discuss collaboration.

For the past year, Taiwan attempted to forge a joint regional jet venture with BAe. But the two sides failed to reach agreement and negotiations were suspended three months ago.

Even more ambitious partnership discussions between Taiwan Aerospace and McDonnell Douglas collapsed in 1992. However, Mr John Wolf, executive vice-president of the Douglas Aircraft company said the US group was continuing to seek international partners for its commercial aircraft operations.

Both McDonnell Douglas and Boeing received a significant boost last week with President Bill Clinton's announcement that Saudi Arabia intended to place a $6bn commercial aircraft order with the two US manufacturers. Boeing and McDonnell Douglas are to send delegations to Saudi Arabia on March 20 to start negotiating details of the contract to supply about 50 aircraft to Saudia, the national airline.

Mr Albrecht said Saudi Arabia had also asked the US manufacturers to propose an aircraft support and maintenance package which could involve "several hundred million of dollars more". He confirmed that the Saudis had not yet decided what aircraft types they intended to purchase.

Boeing is expected to supply 747 jumbos and 737 twin-engine aircraft while McDonnell Douglas will propose MD11 three-engine, long-range aircraft and MD80/90 twin-engine airliners.

Although Rolls-Royce, the UK aero engine manufacturer, supplied the power plants for Saudia's existing fleet of 747s, the latest order is likely to involve US-made engines because of the strong political impetus behind the Saudi deal, according to European Aerospace officials.

Inaction could undermine non-proliferation efforts, Christopher warns

US seeks to end nuclear fuel dispute

By George Graham in Washington

The US is seeking to resolve a nuclear fuel dispute that has shaken its relations with operators of European reactors and threatened the country's credibility in nuclear non-proliferation talks due next year.

After five years of foot-dragging by successive US administrations, a draft Department of Energy report has recommended that the US take back spent nuclear fuel from nine European research reactors. Some of these could be forced to close if they cannot dispose of used fuel.

When the US stopped taking back the fuel in 1988, the Europeans consider it reneged on a decades-old bargain by which European research reactors agreed to convert from high-enriched to low-enriched uranium. The high-enriched uranium can be used to make bombs.

Mr Warren Christopher, US secretary of state, warned that if US inaction drove foreign reactors back to high-enriched uranium, it would "undermine 15 years of intensive US non-proliferation efforts".

If the US were seen not to be keeping its side of the bargain, this could seriously weaken its efforts to persuade other countries to renew the Nuclear Non-Proliferation Treaty, which is due to be reviewed at an international conference next year.

US and European officials are confident that remaining objections by environmentalists – and the state of South Carolina where the spent fuel would end up – can be resolved by the end of next month under an accelerated procedure to assess the environmental consequences.

"In general, we are feeling very confident that we will be able to initiate the spent fuel acceptance that is proposed in the environmental assessment," says Mr Charles Head, of the US Energy Department.

This would allow shipment of up to 448 fuel elements to begin this summer after a five-year gap, relieving the reactor operators' short-term problems.

However, a longer-term solution will require a full environmental impact statement. This is expected to take until the end of 1995 at least.

Meanwhile, some reactor operators are growing increasingly irritated at US unreliability. "They haven't kept to any time limits," Dr Klaus Singer, director of Denmark's Risoe reactor, says.

Seeking a safe grave for nuclear remains, Page 6
US press coverage angers South Koreans, Page 4

Dutch to levy special tax on mobile phone network profits

By Andrew Adonis in London and Ronald van de Krol in Amsterdam

The Netherlands is set to become the first country to tax mobile telephones.

The Dutch government plans to impose a 7.5 per cent tax on the profits of companies operating new digital cellular networks when licences are issued this year.

The cabinet has approved the tax despite objections from business, but it has still to be endorsed by parliament. If it is, the two operators of networks built to the pan-European digital GSM standard will be obliged to pay the tax.

The auctioning of licences to operate mobile telephone networks is established in other countries, but as mobile telephony moves into the mass consumer market the potential of a tax on the operators' profits is considerable.

The Dutch government argues that the tax is fair because it plans to allow only two GSM operators – KPN, the state post and telecommunications company which is slated for privatisation in June, and a private sector operator which will be chosen in the second half of 1994. It considered, but rejected, a proposal to charge the operators an upfront fee of around Fl 500m ($255m) each.

Greece raised $164m each from the sale of two GSM licences two years ago. The US government expects to raise more than $10bn next year in an auction of licences for Personal Communications Services, a new cellular technology.

The Dutch levy will be on pre-tax profits; payments will be tax-deductible, taking the effective rate down to about 5 per cent. There will be no immediate revenue since it will take operators a few years to achieve profitability.

The tax, devised by the Dutch finance ministry, has been attacked by KPN and business groups as a "penalty on innovation".

However, competition for the second licence will be fierce. The three main Dutch banks, ABN Amro, ING and Rabobank, are expected to put in bids with local and international telecoms partners.

Mobile phone companies win in Pakistan crisis, Page 5

Threat of air strikes against Serbs eases

Continued from Page 1

that his forces would meet it, despite the bad weather. "The snow is a big problem ... but still I think we will make it," he told ABC television.

Mr Yasushi Akashi, the UN's special envoy to former Yugoslavia, said snow could prevent the Serb forces meeting the deadline, adding that this was no reason for a Nato attack.

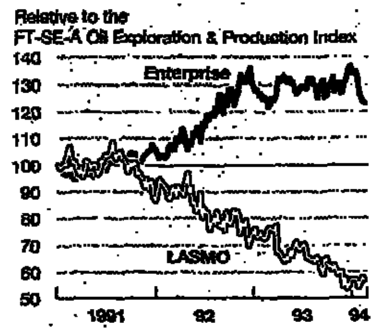
However in Aviano, northern Italy, defence ministers from Nato countries kept up their pressure on the Bosnian Serbs. Before Gen Rose's pronouncement, they said their deadline would stand firm.

Mr Perry said he was satisfied by Nato's combat readiness. The US is supplying just over half the 226 combat and support aircraft in the Bosnian operations.

THE LEX COLUMN

Rewarding Enterprise

Oil shares



Source: FT Graphite

Enterprise Oil has worked hard for more than five years to bring its Nelson field on stream. Given that, it must be galling that the oil started to flow this weekend with crude prices around their lowest for eight years, and at their lowest in real terms for 20. The rate of output from the company's Scott and Nelson fields means that by 1995-96, Enterprise's oil output will be almost double that in 1990-91. That success has won the company a share price which stands at a premium to net assets. Measured after tax payments but before dividends, cash will flood into the company at around £400m a year. Yet low oil prices cut into potential profits, and earnings will not look anything like as rosy as cash flow. The company's dividend payment may remain barely covered.

On top of that, Enterprise must find or buy oil on the same scale as its newly-expanded production capacity if it is not to mine into its asset base and reduce its longer-term value. Finding reserves at the rate they are being used will soak up almost all of that £400m a year of free cash flow about to be produced.

There is thus an argument that the dividend should be cut, because it is sucking too much cash out of the business. That would be a poor reward for Enterprise's loyal shareholders. But if oil prices remain low, and exploration remains fundamentally unprofitable, much of that money may not be worth spending. It might then be returned to shareholders or invested outside the upstream oil business. Weighing that decision will be the acid test of Mr Graham Hearne's chairmanship.

Multimedia

Cardiff is rarely mentioned in the same breath as Hollywood, but last week both towns were offered a glimpse of the multimedia future. The trouble is that no one knows if it will work. Viacom, which conquered Paramount with a $9.7bn bid, now has to prove that its industrial vision makes financial sense. By contrast, TCI's decision to take a 20 per cent stake in the Welsh ITV contractor, HTV, involves an outlay of just £27m. The deal may come to be seen as marking a symbolic shift in power from Channel 3 to cable and satellite television. Similar deals are almost certain to follow, which makes Granada's tilt at LWT appear almost parochial.

HTV argues that advertising growth prospects for Channel 3 franchises will be limited by the proliferation of rival television networks. Alternative revenue streams are therefore essential. The link-up with a cable operator, such as TCI, gives it an effective way of recycling its existing programmes and an alternative channel for new productions. Cable television operators foresee all kinds of possibilities for broadening their services, with telephony and interactive home shopping just the start. In such a thrilling world, it seems almost impertinent to observe that few cable operators have yet made money. Some critics argue that they never will. The delivery of television programmes may simply become a commodity service.

Television may follow the trend in computers, where power has slipped from the hardware to software suppliers. The value attached to programme makers is likely to grow significantly with the demand for programming hours forecast to triple by the end of the decade.

Swiss banks

The 36 per cent increase in Swiss Bank Corporation's latest annual net profit bodes well for other Swiss banks due to report soon. Though part of the increase was due to an apparent drop in the tax charge, there is little doubt that the bank has made a killing on derivative trading. And while the 44 per cent increase in provisions and other charges in part reflects payments to the former owners of its O'Connor derivatives partnership, the bank seems to have felt inclined to smooth its earnings jump with a high provisions charge. Other banks, including UBS which reports on Friday, should also enjoy a substantial increase in profits from derivatives trading, but Swiss Bank may feel the benefit more strongly in its share price. CS Holding needs the additional income to limit earnings dilution as it builds up its relatively low capital base. UBS weathered the recession better than SBC, which was caught not only by bad domestic loans but also by large losses on overseas lending. At the end of 1992, UBS's provisions were 0.43 per cent of total assets. At 0.65 per cent those of Swiss Bank had further to fall.

The large additional provisions made for 1993 together with restructuring efforts by its new management means Swiss Bank is better shielded from any fall in trading income this year. The chances are that its earnings growth will outstrip that of UBS. Its bearer shares, which under-performed its larger rival's by about 3 per cent over the past year, will then also start to pull ahead.

Index-linked gilts

It has not been a good year for index-linked gilts so far. Having finished 1993 around 2.85 per cent, real yields are now back over 3 per cent. In theory, index-linked paper ought to provide a haven for worried equity investors. The two instruments have a similar structure, in that capital value and annual payout on equities tend to increase with inflation too. But equities carry an additional company risk and, at only around 0.25 per cent, the difference between the FT-A All-Share dividend yield and real yields on index-linked gilts is the lowest for almost two years. That should make index-linked attractive, but it probably says more about the degree to which equities are over-valued.

Part of the trouble is the perennial lack of liquidity in the index-linked market. But inflationary and exchange rate worries have not subsided enough to allow real yields on conventional bonds to fall much below 3 per cent. Since real yields on index-linked issues tend to follow those on conventional gilts, the chance of further progress is limited for index-linked as well.

Indeed, the low coupons on index-linked gilts produce a gearing effect which means their prices fall more sharply than those of conventional gilts when real yields are rising. That reduces their safe-haven attraction. In contrast, index-linked will outperform conventional issues when higher inflation rather than upward pressure on real yields is causing fixed-rate prices to fall. Last week's retail and producer price figures suggest that point is still some way off.

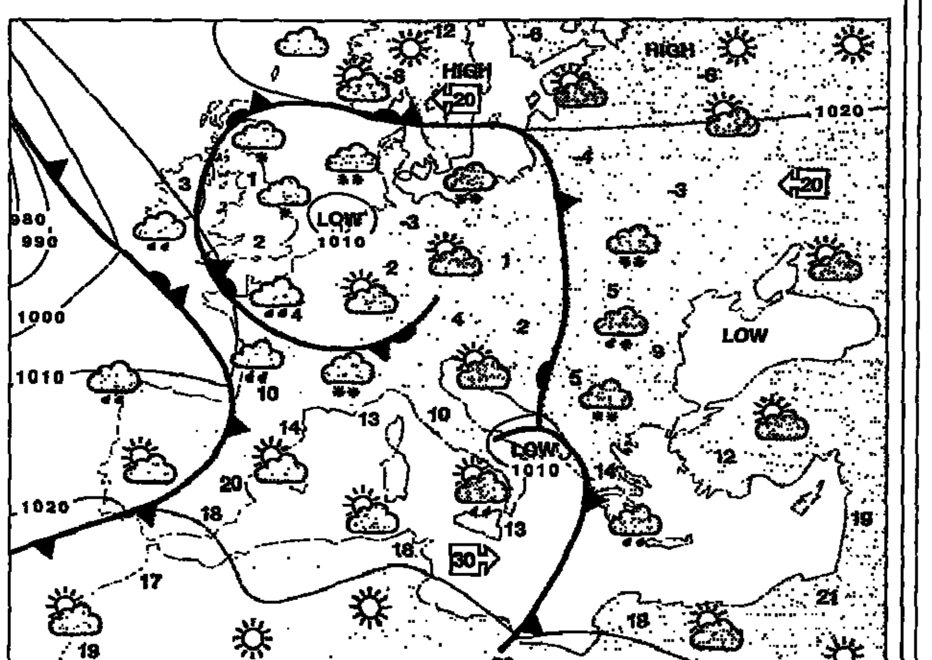
FT WEATHER GUIDE

Europe today

High pressure will bring more sun to central Scandinavia, but daytime temperatures will stay between -5C and -10C. A depression over the North Sea means southern regions will be overcast with light snow. The depression will bring cold, moist air to the UK, resulting in snow along the east coast. There will also be snow in the northern Netherlands and Germany. A frontal zone over the Atlantic will bring persistent rain to south-western UK and south-western France. The western Alps will have new snow above 700m, but the southern and eastern mountains will be mainly sunny. A depression moving east will bring showers to Greece and southern Italy, and there will be snow in the Balkans.

Five-day forecast

A weakening depression over the Atlantic will push milder air into France on Tuesday and Wednesday. This front will move slowly north producing snow and rain. High pressure will move into the CIS, and low pressure will then bring snow to southern and central Scandinavia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Belfast	cloudy	2	Cardiff	cloudy	0	Frankfurt	cloudy	2	Malta	fair	16	Rio	cloudy	30
	Celsius		Belgrade	snow	1	Chicago	fair	2	Geneva	rain	5	Manchester	cloudy	2	Riyadh	sun	23
Abu Dhabi	fair	24	Berlin	snow	2	Cologne	fair	1	Gibraltar	fair	18	Manila	cloudy	31	Rome	fair	13
Accra	fair	32	Bermuda	cloudy	20	D' Salaam	fair	31	Glasgow	cloudy	2	Melbourne	fair	28	S. Frsco	rain	11
Algiers	fair	20	Bogota	cloudy	20	Dakar	sun	25	Hamburg	snow	-3	Mexico City	fair	21	Seoul	cloudy	2
Amsterdam	snow	-1	Bombay	fair	29	Dallas	thund	20	Helsinki	fair	-6	Miami	fair	29	Singapore	cloudy	32
Athens	shower	15	Brussels	cloudy	2	Delhi	fair	23	Hong Kong	fair	18	Milan	fair	10	Stockholm	fair	-4
B. Aires	sun	32	Budapest	cloudy	2	Dubai	fair	25	Honolulu	fair	24	Montreal	cloudy	6	Strasbourg	sleet	3
B.ham	cloudy	1	C.hagen	cloudy	0	Dublin	cloudy	3	Istanbul	cloudy	11	Moscow	fair	-4	Sydney	fair	25
Bangkok	fair	38	Cairo	sun	21	Dubrovnik	rain	10	Jersey	cloudy	7	Munich	cloudy	4	Tangier	fair	17
Barcelona	fair	14	Cape Town	sun	28	Edinburgh	snow	3	Karachi	fair	28	Nairobi	fair	28	Tel Aviv	sun	19
Beijing	fair	5	Caracas	cloudy	25	Faro	shower	17	Kuwait	sun	23	Naples	fair	13	Tokyo	cloudy	8
									L. Angeles	fair	16	Nassau	shower	26	Toronto	shower	8
									Las Palmas	fair	22	New York	rain	14	Tunis	fair	18
									Lima	cloudy	27	Nice	fair	12	Vancouver	shower	8
									Lisbon	shower	15	Nicosia	fair	17	Venice	fair	8
									London	snow	2	Oslo	snow	-3	Vienna	sun	2
									Lux.bourg	cloudy	2	Paris	rain	4	Warsaw	fair	0
									Lyon	rain	7	Perth	sun	38	Washington	shower	17
									Madeira	fair	19	Prague	fair	3	Wellington	shower	20
									Madrid	shower	11	Rangoon	sun	35	Winnipeg	fair	-12
									Majorca	fair	16	Reykjavik	cloudy	3	Zurich	rain	5

FINANCIAL TIMES
COMPANIES & MARKETS
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US rail group plans gold float

By Kenneth Gooding, Mining Correspondent

Santa Fe Pacific, the US railroad group, is expected soon to float its gold subsidiary on terms that would give *Santa Fe Gold Corporation* a market value of at least $1.5bn.

Analysts suggest the stock market launch of Santa Fe Gold will follow closely behind the eagerly-anticipated $1bn flotation in London and Ghana of Ashanti Goldfields.

Santa Fe Gold includes some of the US assets Hanson, the Anglo-American conglomerate, acquired with Consolidated Gold Fields of the UK and swapped last year for Santa Fe's coal and aggregate operations.

This deal transformed Santa Fe Gold into the sixth largest North American gold producer with an anticipated 1994 output of 900,000 troy ounces. It also has one of the biggest gold reserves in North America: 14m ounces.

Analysts expect the parent to do an IPO (initial public offering) of about 20 per cent of Santa Fe Gold to raise $200m to $300m. Santa Fe would then dividend its entire holding to the parent group's shareholders so by the end of this year the gold company would have a free float of 100 per cent.

Santa Fe would not discuss the issue, probably because it felt constrained by US regulations, but analysts were alerted in June when the group applied for a ruling from the tax authorities that the distribution of the Santa Fe Gold shares would be tax free. Such rulings typically take between six and nine months to be made known.

Ms Lindsey Falconer, analyst at Ord Minnett, an affiliate of the Jardine Fleming group, suggested the tax ruling was likely to be favourable but, even it it was not, Santa Fe would go ahead with the IPO. She estimated the gold subsidiary was worth $1.6bn or about $8.50 per Santa Fe share.

"The stock looks very attractive when compared with other senior North American producers, it will be seen as a core holding among the North American gold shares and will be eligible for inclusion in the new Financial Times Gold Index," she said.

Santa Fe Gold now has three mines in northern Nevada: Lone Tree, Mesquite and Twin Creeks (a combination of Hanson's Chimney Creek mine and Santa Fe's Rabbit Creek). It is one of the biggest holders of minerals rights in the western US – 7.2m acres in some of the most prospective regions, inherited from its parent.

C&W to aim at Asia-Pacific region

By Andrew Adonis in London

Cable and Wireless, the UK telecommunications group, intends to make the Asia-Pacific region its prime investment focus for the next decade.

Mr James Ross, C&W's chief executive, told the FT that a strategy review had made telecoms growth opportunities in the Asia-Pacific the company's chief priority.

He said the "medium-term objective" was to devote the free cash flow of Hong Kong Telecom, which is 57.5 per cent owned by C&W, to investment in the Asia-Pacific region, allowing for a "proper dividend" to the group.

That implies a large concentration of investment in the Asia-Pacific region, since HK Telecom last year accounted for nearly two-thirds of C&W's £829m operating profit, although the Asia-Pacific region accounted for only 44 per cent of C&W's turnover.

He added that C&W did not attach "high priority" to the rush to international telecoms alliances led by British Telecommunications and American Telephone & Telegraph.

"C&W is a federation in its own right, and we don't need others just to give us a global capacity," he said.

In Europe, Mr Ross affirmed C&W's determination to pursue opportunities as the European Union liberalises telecommunications services.

Pulling the pearls together, Page 18

BMW talks to Honda on Rover

By John Griffiths in London

BMW is expected to start learning in Tokyo today Honda's response to the German carmaker's £800m ($1.1bn) plan to buy Rover Group, Honda's UK partner.

Talks this week involving Honda executives and teams led by Mr Bernd Pischetsrieder, BMW's chairman, and Mr John Towers, chief executive of Rover, will help determine whether Honda will continue under BMW's majority ownership its 15-year partnership with Rover.

Last night Honda, which has a 20 per cent stake in Rover, was giving no clues as to which way it might jump. Its agreements with Rover allow it to break formal ties as little as seven days after the passing of Rover into new ownership.

However, analysts this weekend said such a move would be almost inconceivable given the commercial value to Honda of its collaboration with Rover. Honda receives some £400m annually in parts revenue alone, for example.

The Japanese carmaker has made clear its anger at the intended deal, which it regards as a betrayal of the close working relationship which has developed between Honda and Rover.

But this anger is directed solely at Rover's current owner, British Aerospace. Honda executives say that Rover itself has been powerless to prevent its own sale.

BMW hopes to persuade Honda to stay in the partnership. However, Honda regards BMW as a rival, strongly wished for Rover to remain independent - and at the least is expected to extract a high commercial price for staying in.

Should Honda be persuaded to form a long-term, tripartite collaboration, "it would be a seminal event which could change the status of the motor industry for ever", and guarantee the futures of all three, according to Professor Garel Rhys, professor of motor industry economics at Cardiff Business School and adviser to the House of Commons select committee on trade and industry.

Poker game begins, Page 18

Andrew Large talks to **Norma Cohen** about the UK investment industry

The regulator armed with a horse-whip

Andrew Large, the bespectacled, slightly stoop-shouldered chief City regulator is poking, prodding, coaxing and in some cases, horse-whipping the UK investment industry into the 21st century.

His personal demeanor is more of a poodle than a Rottweller but he is the instigator of a radical shake-up of the UK investment industry for small investors and large securities firms alike.

In the 18 months since he took on the role of chairman of the Securities and Investments Board, he has forced an overhaul of the way retail financial services are regulated despite the implacable hostility of the insurance industry. This week, he will unveil the blueprint for the Personal Investment Authority, the vehicle for far tougher oversight than yet achieved.

And last week, he launched a review of the way wholesale markets operate and suggested that, to make markets more efficient and competitive, professional investors may have to give up some of the practices which have protected their profits.

He concedes that some suggestions made in his report, couched in the non-combative language of a discussion document, are radical. But he says London must face the issues. "All these issues have been addressed in the US. Any financial centre that aspires to be a major financial centre must answer these questions," he says. "If we don't do this, we are not doing our duty."

Moreover, he has announced a permanent group of securities regulators to improve the ferreting out and punishment of wrongdoing in the securities industry. Regulators ought to act as a "street-wise support" to criminal prosecutors, helping them obtain convictions.

Mr Large acknowledges as legitimate the public anger over the failure of the criminal courts to convict and punish individuals widely accused of cheating investors and says that something must be done.

Former colleagues say his boffin-like demeanor is misleading. "He is out to win," says a colleague who worked closely with him at Swiss Bank Corporation in London in the 1980s. "And if he can't win, he'll get out."

Proof of that, colleagues say, was his decision to quit the board of SBC after two years, despite the prestige of having been the first foreigner named to such a post.

"He came in early one morning and tried to make himself a cup of coffee. The staff wouldn't let him do it – they said directors don't make coffee," says one former colleague.

Aside from the cultural differences, there were other difficulties over the board's reluctance to consider expansion projects he thought necessary.

For his part, he speaks glowingly of his 10 years at SBC, during which time he established the bank as a major force in international finance, particularly in Eurobonds. But he does describe his years on the board as "stressful".

Former associates give fulsome praise to him for intellectual adroitness and management skills. "His organisational skills are second to none," says one ex-SBC official. Moreover, he was sufficiently international in character – he was carted around the world as a child by his father, an army doctor – to win business where others could not.

Former associates describe an almost complete lack of humour. Not one recalls a joke or prank committed by him – a unique trait in the Eurobond markets where absurd personalities abound. In an interview, he intoned with a straight face that he could never be a doctor like his father because "I don't have any patience," oblivious to his own pun.

An intensely private person, at first blush, he hardly appeared the catalyst to shake up the investment industry when he was appointed to head the SIB in June 1992.

A product of Winchester College and Cambridge University, his first job was with British Petroleum which sent him to Malaysia. Back in London, he was in charge of an abortive project to extract protein from fuel oil. The turning point came, he says, when BP offered him the opportunity to train for an MBA at Insead, the French management school.

Insead was wonderful, he says. "It was totally international. You didn't care where anyone was from." The year there gave him his interest in finance.

But he says BP refused to give him a job in finance because he wasn't an accountant, and he jumped ship to work at Orion Bank, a consortium set up by six foreign banks. After 10 years there, he was one of a group of five poached by SBC in 1979 to set up international activities based in London.

While he was at SBC he first entered the regulatory arena. He was chairman of the Securities Association, the precursor of the current self-regulatory body and in that role, fought hard to reduce the regulatory burden on professional investors envisaged in the newly-created Financial Services Act.

He says he still believes professional markets require a different regulatory approach than retail markets with their unsophisticated investors.

Asked whether he still believes in self-regulation, he demurs. "I don't think self-regulation should be a theology."

"If regulation is going to work so that investors are going to be protected in an efficient manner then you must have practitioners involved in it."

The extent to which practitioners should be involved in writing the City's rules will be the stickiest question for the remainder of his term. His main challenge will be to ensure that whatever the regulatory regime when his term is over, City hearts and minds are in it too.

Markets this week

Starting on page 20

MARTIN DICKSON:
GLOBAL INVESTOR

Fundamental US economic factors should strengthen the dollar over the next few months. However, the central bank may have to tighten another notch or two before it allays the jitters which have overtaken the Treasury bond market. Page 20

EDWARD BALLS:
ECONOMIC EYE

The willingness of newspapers to report the outpourings of model-based forecasters gives economists a terribly bad name. Economics is just not suited to the kind of pseudo-scientific futurology that these models purport to deliver. The OECD, the IMF and the UK Treasury, should put away their crystal balls. Page 20

Bonds:
More borrowers are issuing structured bonds because this enables them to achieve cheaper funds than with a straightforward Eurobond or global bond offering. Page 22

Equities:
London starts trading under threat from the big sell-off across international bond markets on Friday. Page 23

Emerging markets:
China's fledgling stock markets are set for a bumpy year. Page 21

Currencies:
Mr Alan Greenspan, chairman of the US Federal Reserve, makes a rare public appearance. Page 21

STATISTICS

This week: Company news

ASTRA

Expectations still run high despite healthcare curbs

Satisfying investors' high expectations has become a familiar problem for Astra as the Swedish pharmaceuticals group may discover again on Friday when it presents its 1993 figures. The group's record speaks for itself: for 15 consecutive years up to 1992 profits growth outstripped sales and the feat will almost certainly have been repeated last year.

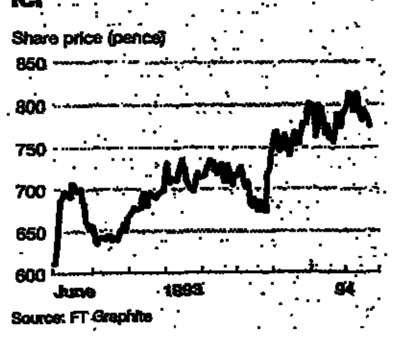
Analysts' expectations range widely, but the average forecast is for pre-tax profits of SKr7.7bn - SKr7.8bn ($987m), up around 50 per cent on 1992's SKr5.12bn. The 1992 dividend of SKr1 per share (adjusted for a share split) is expected to be raised to at least SKr1.5.

The wide range of forecasts stems from uncertainty over the fourth quarter performance. Outstanding profits growth in the first nine months may have slowed because of the impact of currency gains on the final quarter of 1992. Nine-month figures showed profits of SKr5.78bn, up 69 per cent, on sales which were 43 per cent higher at SKr16.1bn.

The key to the group's success has been the spectacular growth of two drugs: Losec, an anti-peptic ulcer drug, and Pulmicort, an anti-asthma agent. Both notched up sales of more than 50 per cent in the first nine months, thanks both to the weak krona and strong increases in volumes. Like other pharmaceuticals groups worldwide, the company has had less success in raising prices because of government clampdowns on healthcare spending.

Largely because of this clampdown, Astra shares actually underperformed the Stockholm Stock Exchange last year. If the share is to make further progress in 1994, investors will be looking for a positive statement about prospects. Again, expectations are running high: Kleinwort Benson in London, for example, is already penciling in profits of SKr9.8bn for the current year.

ICI



Source: FT Graphite

ICI

Analysts focus on state of play

ICI reports its first set of full-year figures since the demerger of Zeneca last summer on Thursday. Thanks largely to cost-cutting and currency gains profits before exceptionals are expected to have doubled to between £270m and £300m ($438.00). Analysts' estimates for 1993 are in a tight range and attention will focus on the company's comments about the state of its major markets.

It is expected to be quite positive about the US and UK but to report that Europe remains tough both in terms of volumes and prices. Even if German interest rate cuts continue few observers expect much recovery this year. Analysts will be expecting an update on ICI's own restructuring programme, which has meant hefty rationalisation costs over three years.

In 1992 the combined group reported a loss of £384m after exceptionals of £949m. There are expected to have been further provisions last year including a £100m charge associated with the proposed disposal of its American composite materials business and £30m for the closure of Electrochlor, its indirectly owned PVC manufacturer in Argentina. Analyst Mr Ian John at NatWest Securities predicts FRS3 pre-tax profits of £107m after exceptionals.

The City is expecting unchanged dividends of 27.5p compared with underlying earnings of about 22.5p.

OTHER COMPANIES

Cutting edge test for MG's chief executive

The Metallgesellschaft affair will loom large again this week. Tomorrow Mr Kajo Neukirchen, brought in last December as chief executive of the troubled metals, mining and industrial group, will hold his first press conference since he took over. Renowned as a no-nonsense restructuring expert, he is expected to announce big job-cuts as well as the sale of some of the group's 258 subsidiaries. On Thursday the company will hold a special shareholders' meeting at which Mr Ronaldo Schmitz, the Deutsche Bank director who is also MG's supervisory board chairman, is likely to explain the background to the near-collapse of the company.

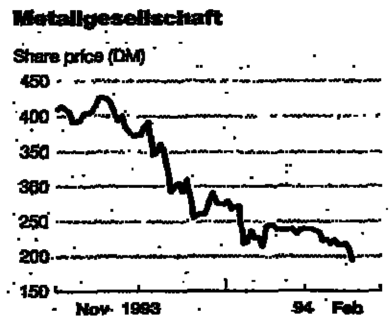
Chief to explain strategy, Page 19

■ Svenska Handelsbanken: One of Sweden's leading commercial banks, will confirm a strong recovery from the country's banking crisis when it unveils its 1993 results tomorrow. The bank, which was less badly hurt by the crisis than its rivals, is expected to rebound to an operating profit of between SKr1.8bn and SKr2.1bn ($265.8m), compared with a SKr840m loss in 1992. Higher revenues, cost-cutting and reduced credit losses have spurred the turnround.

● Three of the four largest Danish banks report this week, Bikuben, the savings bank today, Jyske Bank, the Jutland-based bank, on Wednesday, and the largest of the Danish banks, Den Danske Bank, on Thursday.

■ Bridgestone: The Japanese tyre company which owns Firestone, will announce non-consolidated and consolidated earnings results for the year to December 1993 on Friday. Profits are expected to reflect an 8 cent fall in production and a 10 per cent fall in sales in the overall domestic tyre market last year. The company also faces lower profit margins as consumers are buying tyres at discounts, and choosing lower grade tyres in the economic downturn.

Metallgesellschaft



Source: FT Graphite

■ American International Group: The bellwether among US property/casualty insurers, is expected to report further strong premium gains for the last quarter of 1993. With growth in its overseas base and a recovery in some insurance lines in the US, premium growth could top 10 per cent, as in the previous two quarters. The market is looking for earnings per share of around $1.50 for the period, up from $1.40 the year before, making $5.75 for the year as a whole (1992: $4.90.)

■ Euro Disney: The banks will today receive the final version of KPMG Peat Marwick's investigative audit into the company's finances. The banks hope to hold the first negotiating session in Paris later this week.

Companies in this issue

Granada rejects LWT argument in bid battle

By David Wighton

Granada yesterday dismissed LWT's defence against its hostile £800m bid as "strong on presentation but weak on content".

In a final letter to LWT shareholders, Mr Alex Bernstein, chairman of Granada, rejects LWT's argument that the offer undervalues the company compared with the agreed takeovers of Central Independent Television and Anglia.

Mr Bernstein says that Granada's offer represents 27.6 times LWT's estimated 1993 earnings, while the recommended offer from Carlton for Central represented 25.1 times brokers' estimates for the target's 1993 earnings.

As for the price paid by MAI for Anglia, Mr Bernstein said that this was justified because of Anglia's particularly valuable investments and because it has much higher operational gearing than LWT.

He added that "moreover, in 1993 Anglia's share of net advertising revenue continued to increase, whereas LWT's share fell compared with 1992."

Granada says that LWT bases much of its argument on one year's estimated profits and Mr Bernstein warns LWT shareholders: "You should question how sustainable the rate of increase shown by LWT in its 1993 profits will prove to be."

The offer closes this Friday.

Unipalm to market via £5.5m placing

By Alan Cane

Unipalm, a Cambridge-based computer communications company, is coming to market by way of a placing to raise approximately £5.5m net of expenses. Sponsored by Henry Cooke Corporate Finance, it is expected to value the company at between £15m and £18m.

Unipalm, now eight years old, is a leading UK specialist in methods of attaching commercial organisations to a global computer network known as the Internet. The potential of the Internet remains comparatively untapped in the UK, but interest is growing rapidly in the US.

Unipalm has two principal operating companies. One distributes interconnection software while the other, Pipex, founded in January 1992, specialises in Internet connection. Pipex is under contract to the BBC to provide a low cost Internet connection to accompany a new series "The Net", scheduled for April.

In the year to April 30, 1993 the distribution business made pre-tax profits of £897,000 on £8m sales. In the first half of the current year, pre-tax profits amounted to £461,000 on sales of £4.35m.

Pipex, however, incurred £308,000 losses on sales of £381,000 in its first year and a further £313,000 on sales of £592,000 in the first half of the current year. Overall, the group made pre-tax profits of £148,000 on sales of £4.94m.

The company has some 200 customers including Dixons and Pilkington representing 70 per cent of the UK commercial Internet market. Recurrent revenues from these customers are running at £1.5m a year.

Mr Peter Dawe, a Unipalm co-founder and now Pipex managing director, said funds were being raised to expand the Internet interconnection business, currently expanding at 100 per cent a year. He believed growth rates of treble that amount a year were possible, admittedly from a low base point.

The Internet is not a single system but a self-regulating collection of over 14,000 networks across the globe. It has its origins in academic and defence networks in the US and has been seen principally as a low cost electronic mail system for hobbyists.

During the 1991 Soviet coup it was credited with providing a reliable path for information in and out of Moscow.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE
DSC (Mexico)	Westin Hotels & Resort US	Hotels	£485m
Philips (Netherlands)	Grundig (Germany)	Consumer electronics	£101m
Burns Philp (Australia)	Karl Ostmann (Germany)	Food	£73m
TCI (US)	HTV (UK)	Broadcasting	£27m
Jamison Equity (Australia)	Unit of Transport Development (UK)	Distribution	£215m
Loctite Corp (US)	Plastic Padding (UK)	Plastic	£10m

Honda may hold the ace when cards are revealed

John Griffiths and Kevin Done on the future of Rover as talks between BMW and Honda start today

In the three weeks since Rover was sold to BMW, the German car maker and Honda Motor, Rover's partner for 15 years, have been eyeing each other closely to see which will blink first.

The poker game begins in earnest today in Tokyo as Mr Bernd Pischetsrieder, BMW's chairman, begins talks with Mr Nibuhiko Kawamoto, Honda's president. Both parties have powerful cards to play.

Honda's wounded pride and loss of face caused by British Aerospace's sale of its 80 per cent stake in Rover might suggest a complete severing of Honda's links with Rover.

Honda, in fact, has the power in its Rover agreements to shut down much of Rover. It can give seven days' notice to cancel its key contracts if Rover was sold to another party.

That, however, would fly in the face of commercial common sense, at least in the medium term. It has too much to lose from selling parts to Rover and, anyway, the relationship cannot physically be unpicked overnight.

But BMW's wish that "in this new scenario Rover Cars will naturally continue its agreements with Honda in every respect", is just as unlikely to come to pass.

BMW wants Rover, for example, to give it a market presence in the lower-medium front-wheel drive sector. Rover plans to launch next year a replacement to its 200/400 series, jointly developing the model with Honda in Project Theta. Yet, the partners are understood to have failed yet to sign a full production agreement, and Honda could baulk.

Honda sees the German car maker as one of its most potent rivals in the world car market, and it is impossible to expect that Honda's doors can now remain as open to Rover.

Assuming Honda does not plump for the 'doomsday' scenario, there there are three levels of collaboration between Honda and Rover, which the Japanese car maker and BMW must now address:

- licensing agreements on original Honda products;
- the selling and buying of components;
- production and technology transfer from Honda to Rover.

These links are cemented by Honda's 20 per cent equity stake in the whole of the Rover vehicle operations (including Land Rover) and Rover's 20 per cent stake in Honda's UK assembly plant at Swindon.

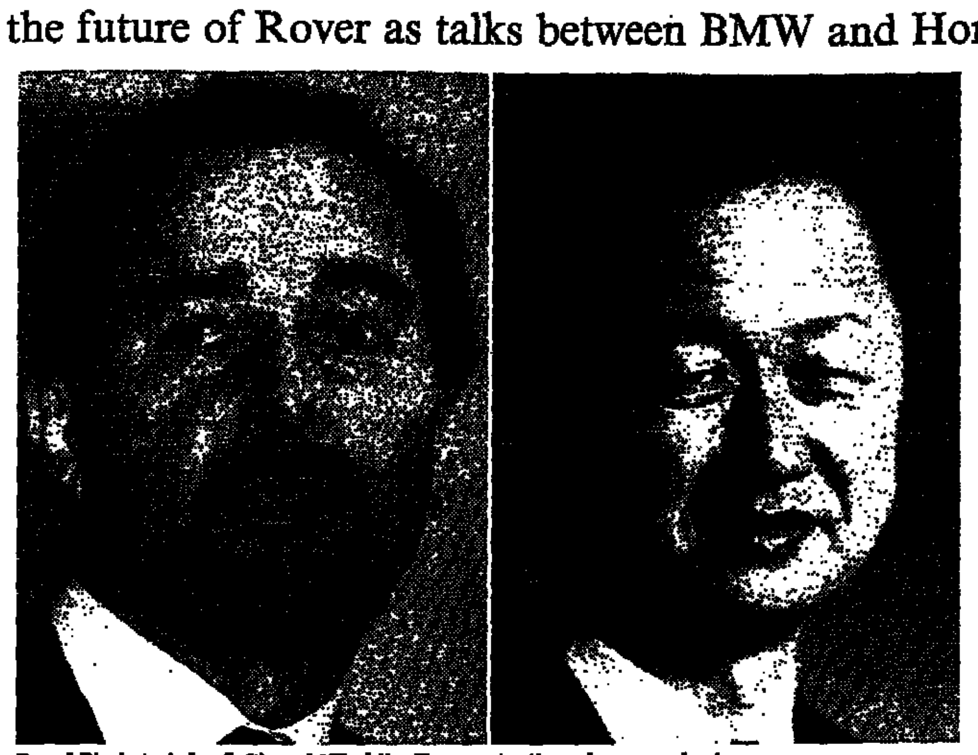
Licensing: Most of Rover's cars are based on or dependent on Honda designs and are produced under direct licence from Honda. These agreements can be terminated at three months' notice.

Whole vehicles subject to them are the Rover 600 and 400 models. But Rover has greater leeway on the 200 hatchback. Because the 200 was a jointly developed vehicle, Rover enjoys component supply contracts for as long as it builds the current model.

This anomaly arose because the Honda Concerto model, on which the Rover 200/400 range is based, appeared in Japan first as a saloon, and the 400 was licensed directly from it, whereas the 200 was developed jointly.

Typical of critical component issues is the gearbox used on Rover's own two litre engines. This is a Honda product made under licence by Rover at its Longbridge plant in Birmingham. Withdrawal of its licence could disrupt much of the rest of Rover's car range apart from the ageing Montego, Maestro, Metro and Mini models.

The 800 executive car range would be affected even though the car itself has long since diverged from the Honda Legend, on which it was based. However, Honda must supply other key components in it – notably the 2.7 litre Honda V6 engine – for as long as Rover wants to build the car.



Bernd Pischetsrieder (left), and Nibuhiko Kawamoto: the poker game begins

Buying and selling components: this is a normal arm's length customer-supplier relationship for most components, involving two-way transactions of close to £400m a year. For example, Honda sells facias to Rover for the Rover 600 and Rover sells Honda the body panels – produced at Rover's Swindon stamping plant – for the Honda Accord, which Honda produces at its own assembly plant in Swindon.

The contracts state supplies must continue for as long as each partner is producing a particular model.

However, these contracts are subservient to the licensing agreements. Honda considers that it could legitimately pull the plug on much of Rover's model range, even though Rover could still be legally required to continue providing body panels for the Accord. But pulling the plug would severely disrupt production at Honda's own plant in Swindon.

Manufacturing and technology transfer: much of the equipment and tooling used by Rover to build the 600 and 200/400 were developed and supplied by Honda.

The equipment was replicated and transferred into Rover's Longbridge plant, thus saving Rover heavy expenditures on developing production facilities for new models. A highly sophisticated multi-welder for body shells, for example, is from Honda Engineering. If Honda terminated the relevant agreements, however, Rover could maintain the equipment adequately for the life of current models.

Another key element of the relationship is the maintenance of the component supplier base. Honda manages its supplier base of 160 companies on behalf of itself and Rover, and Rover does the same with its suppliers feeding Rover's plants and Honda's at Swindon.

The overall appearance of cars might not change but their parts are updated constantly as part of the Japanese-inspired philosophy of continuous improvement.

Lack of access by either partner to the database which keeps track of 20,000 parts could bring chaos to production lines as component mismatches proliferated.

One measure of the trust Honda and Rover had developed is that the database for the Accord/Rover 600 is managed and maintained only by Honda at Swindon.

Working relationships: Honda believes BMW may not have understood how dependent Rover is on Honda, and how close working relations had become.

"Honda-Rover is not only a business-based corporate relationship", according to one senior Honda executive in Europe. "So many engineers, so many managers and so many production people have worked closely together for 15 years. This working together is a quite unique experience for the Japanese people as well as the British and I believe that it could create very good mutual understanding between our two cultures.

"For most of the people involved in this collaboration it has been not only their job but their life, including their families."

Some 150 Rover personnel went to Japan to learn production start-up techniques for the Rover 200/400. And some 40 Japanese Honda staff and their families went to Birmingham to stay for nearly three years in getting the project off the ground.

When Honda asked Rover to build its Concerto model at Longbridge, Honda opened its factories to Rover staff to allow them to feed back quality information. The information exchange has accelerated ever since. "So there is not only information exchange in the conference room there was hand-to-hand working together on the shop floor", the Honda executive said.

For its part, BMW can offer Honda the lucrative opportunity of continuing to work with Rover and, for example, to supply Land-Rover Discovery four-wheel drive vehicles with Honda badges for the Japanese market.

But Honda is sure of its bargaining power. As one senior Honda executive put it informally: "We hold a card hand of nine aces – but the British public does not know this fact."

74 per cent of Europa Minerals' shareholders accept Burmine offer

By Kenneth Gooding, Mining Correspondent

The £15m offer for Europa Minerals, the UK-quoted mining finance house, was accepted by holders of 74.4 per cent of the issued capital by the first closing date, according to its adviser Samuel Montagu.

Montagu said that acceptances included 5.5 per cent of Europa held by SBN Nominees and beneficially owned by Mount Edon Gold, the Australian company which previously opposed the merger. Mount Edon has also made a hostile bid for Burmine, the Australian group making the recommended offer for Europa.

However, Mount Edon's financial public relations advisers in London said there must be another explanation for SBN's acceptance as Mount Edon would not have accepted the Burmine offer for any of its Europa shares. Mount Edon owns 19.9 per cent of the UK company.

Burmine's offer has been extended until March 4 but the merger – a three-way affair also involving Austmin Gold, another Australian company, for which Burmine has made a friendly bid – cannot be completed until the result of various legal actions in Australia are known. Montagu said these might be cleared away this week.

Pulling the global pearls together

Andrew Adonis reports on Cable and Wireless' investment strategy

The FT comment last June that Cable and Wireless, the UK telecommunications group, has "pearls scattered around the world but lacks a thread to pull them together," reflected the thinking of some of the company's senior executives.

Mr James Ross – the urbane and determined former chairman of BP America brought in as chief executive two years ago by C&W's chairman, Lord Young – insists the company has now discovered the string to tie together a host of activities from Mercury in the UK to Optus in Australia, the challenger to the former Antipodean state telecoms monopoly.

"We are not just a holding company for a diverse range of telecoms activities: we make sense as a federation, and intend to strengthen the bonds between the different parts," said Mr Ross.

C&W, he argues, is currently undervalued because it does not attract the premium it deserves as a sum of more than its parts.

The essential bond the company has now discovered is a "coherent investment strategy" giving pride of place to growth in the Asia-Pacific region. This is the home of Hong Hong Telecom, C&W's richest pearl, which accounted last year for £554m of its £829m operating profit.

Mr Ross spells out what this priority means: a commitment "over the medium term" to devote Hong Kong Telecom's free cash flow to investments in the Asia-Pacific.

"Outside Hong Kong we have underinvested in the area and we are now intent on growing other Asian opportunities."

Mr Ross highlighted opportunities to build and operate networks in under-developed Asian markets. China is the "great object" but, with telecoms racing ahead in all parts of the region, "not the sole magnet."

"Other companies" – for which read BT and AT&T in their ambitions to be global providers to the multinationals – "don't really go in for those [construction projects]. We are playing a different competitive game, which is not the big multinationals."

He is also explicit about C&W's European strategy, which is two-pronged. In the larger markets, like Germany and France, C&W will be the "Mercury in Europe", building networks to challenge the monopolies of state operators as liberalisation advances.

In the smaller markets, such as Ireland and Portugal, it is looking for opportunities to partner existing monopoly operators.

"We don't believe there is enough room for a national competitor, and the existing operators need an international player like us."

What will unite the federation?

People, products and a global network capacity, said Mr Ross.

He pointed to the swapping of senior managers, like the recent exchange between the deputy chief executives of Mercury and Hong Kong Telecom; and he emphasised the convergence, in terms of services and marketing, of world telecoms markets. "Take Hong Kong: we have got competition there next year, and intend to make full use of our experience as the under-dog in Britain in facing it."

Mr Ross's strategy faces an immediate objection.

As a company less than a third the size of BT, how is C&W going to fund serious expansion from *three* hubs worldwide – the third being the Caribbean region? Moreover, to make itself attractive to the Chinese, C&W arguably needs an image more regional than global.

Mr Ross implicitly accepted both points by playing down the investment outlays to be expected outside Asia-Pacific, and stressing the trend towards indigenous management, as reflected in the recent appointment of Mr Linus Cheung, deputy managing director of Cathay Pacific Airways, as chief executive of Hong Kong Telecom.

"Partnership is the key", said Mr Ross.

"We can't even try to operate on our own in many places, but we have experience and networks that can bring a lot to any partnership, whether in China or Germany."

As for resources, he cited C&W's low gearing (about 13 per cent), suggesting an increase in spending from the current £1bn a year to £1.5bn to be "a responsible objective".

The strategy has clear attractions. Partnership between indigenous and overseas operators is the industry trend, from cellular mobile services in Europe and the US to basic line-building ventures in Asia.

For governments and indigenous telecoms operators, C&W has a top-notch name without being one of the large, perhaps more threatening, US or European forces.

The capacity to learn in one market to profit in another will give a critical edge as competition advances. To benefit, it may not be size so much as presence that matters, and C&W's presence is more widely spread than most.

But if Hong Telecom's free cash flow is to go into Asia, a question mark must be raised over the European strand to C&W's thread, particularly if Mercury's profits are depressed by the explosion of competition in the UK. As Mr Ross puts it: "we don't have a home market: we only came back to the UK in the last 10 years."

Oyston puts Trans World stake up for sale

By David Wighton

Mr Owen Oyston, the flamboyant businessman who owns Blackpool Football Club, has put up for sale his 24 per cent stake in Trans World Communications, the independent radio group. A further 4 per cent, owned by associates of Mr Oyston, are also on the market.

The move is likely to trigger a battle for control of the company involving Emap, the publishing group which owns almost 30 per cent of the shares, and the Guardian newspaper group, which has 20 per cent.

Under the current rules on cross-media ownership the Guardian could not increase its shareholding. But it might seek a "safe" home for Mr Oyston's stake in the expectation that the rules will soon be relaxed.

Were Emap to buy the stake and so take control, it is thought it would have to sell one of Trans World's stations to stay within the limits on market share. Trans World owns Piccadilly in Manchester, Red Rose in Lancashire, Red Dragon in South Wales and Aire in West Yorkshire. Emap already owns the Liverpool station Radio City.

Since letting it be known that the stake was up for sale Mr Oyston said that "some quite seriously interested parties" had contacted him.

He needs the money to fund the £50m first phase of his long-planned redevelopment of Blackpool's stadium where planning permission "now looks almost certain".

Trans World's shares, which closed up 11p at 159p on Friday, have risen by 60 per cent in the last three weeks.

Mr Oyston is looking to sell the stake at a premium to Friday's market price which valued the holding at almost £15m.

Endesa plans share offer to raise further Pta200bn

By Tom Burns in Madrid

Endesa, Spain's partially -privatised state-controlled electricity distributor and generator, is to put 10 per cent of its equity on the market in the first half of this year in an international public offering worth an estimated Pta200bn ($1.43bn).

The offering, which will be managed by Goldman Sachs of the US, and Argentaria, the government-controlled domestic banking group, will have a domestic retail tranche and one aimed at international institutions. It is understood that a separate tranche, representing just over half the total equity offered, could be placed with National Power of the UK and with Germany's RWE.

INI, the public sector conglomerate which owns Endesa, placed 23 per cent of the utility on the market in 1988 and a further 10 per cent two years ago on the New York Stock Exchange in the form of ADRs.

Endesa's group 1993 net profit was Pta116.8bn, up 9.9 per cent from the previous year. Earnings per share rose to Pta449.3 from Pta408.

A further partial privatisation by Endesa had been expected this year to offset an escalating general government deficit that threatens to rise to 8.5 per cent of GDP against an official 6.4 per cent target. Other offerings of government-controlled equity to raise revenue this year could include Telefonica Internacional, the international unit of the domestic telecommunications group, and Tabacalera, the tobacco group.

Last year, as recession began to make strong inroads on the budget, the government's energy conglomerate Repsol, again advised by Goldman Sachs, realised Pta110bn when it placed 13 per cent of its equity on the market, and Argentaria, using Morgan Stanley as its global co-ordinator, realised Pta290bn in two public share offerings that brought public ownership of the banking group down to 50 per cent.

Sega sees downturn in profit for year

By Paul Abrahams in Tokyo

Sega, the Japanese video games group, has warned that pre-tax profits will drop this financial year, the first fall in 12 years. The company blamed the decline on the strong yen and the recession in Europe, which led to fierce price competition.

Pre-tax profits will fall by 24 per cent this year from Y55bn to Y42.5bn ($407m), it said. In November, the company forecast a rise to Y57.5bn. Turnover, which was expected to increase from Y346bn to Y380bn, will only reach Y351bn, it added.

The group said it expects profits to increase in the next financial year, helped by the opening of a series of theme parks in Osaka, Yokohama and Chiba. It also has plans for a joint venture with Universal to open a park in the US.

Profits next year will also be boosted by the launch of a new home multimedia video game system called Saturn using 32-bit microprocessors. Current consoles use 16-bit technology.

Sega forecast consolidated sales for the year to March 31 of Y385bn, compared with a previous estimate of Y480bn and last year's figure of Y416bn. Consolidated pre-tax profits would be Y20.5bn, compared with the previous forecast of Y65bn, and last year's result of Y57.4bn.

● The international credit reputation of corporate Japan was further damaged when Tokyo Electric Power (Tepco) was stripped of its triple-A rating by Standard & Poor's, the international credit rating agency. About $38bn of rated debt is affected, writes Antonia Sharpe.

The one-notch cut in Tepco's senior debt rating to double-A plus follows a series of downgradings over the past year of some of Japan's best-known companies, including Nissan, American Honda and Sony.

S&P said the downgrade of Tepco's rating, which has now been removed from CreditWatch, reflects the erosion of its financial profile.

Metallgesellschaft chief to spell out future strategy

By David Waller in Frankfurt

Metallgesellschaft, the troubled Frankfurt-based metals, mining and industrial group which came to the brink of collapse last month, will give the first full account of its future strategy this week following its DM3.4bn ($1.98bn) rescue package – and the first detailed explanation of the events which led to near disaster.

Tomorrow, Mr Kajo Neukirchen, the troubleshooter appointed as chief executive in December last year, will hold his first press conference since he took over from the sacked Mr Heinz Schimmelbusch.

Having kept his silence until now, but for a few sentences uttered for the benefit of the television cameras and a handful of short press releases, he will outline his plans for the group, which has 58,000 employees working at 258 subsidiaries. He has already said there will be massive redundancies and that numerous subsidiaries will be sold – details will emerge tomorrow.

On Thursday, Mr Ronaldo Schmitz, the Deutsche Bank director who is also chairman of Metallgesellschaft's supervisory board, will preside over an extraordinary shareholders' meeting. There are formal legal reasons for the meeting following the departure of Mr Schimmelbusch and other boardroom colleagues, but the supervisory board is expected to seize the opportunity to defend its own conduct throughout the affair.

While tomorrow's press conference is expected to focus on Metallgesellschaft's future, the annual meeting on Thursday will concentrate on the past. Mr Schmitz is likely to face a grilling from aggrieved shareholders anxious to know how it was that the supervisory board – consisting of some of the most distinguished names in German business – could have failed to prevent the near catastrophe.

The crisis was triggered by MG Corp, Metallgesellschaft's US trading subsidiary, whose activities in the oil futures markets are expected to give rise to a DM1.5bn loss in the current financial year.

Critics will argue at the meeting that beyond the immediate causes of Metallgesellschaft's problems there is evidence of a "system failure" reflecting the close relations between big German banks and the company. "If they didn't know what was going on, they failed in their duty to supervise," said the chief economist of a foreign bank in Frankfurt. "If they did know, there was a cover-up and that is equally bad.

"The problem is that the members of German supervisory boards are self-selecting; they are members of a club," the economist continued. "Shareholders are formally supposed to control the supervisory boards via the way they vote at annual meetings. But this does not work because the banks own big stakes themselves and can vote large stakes on behalf of other shareholders who lodge their shares for custody at the banks.

"Criticism has tended to be dismissed until now but the Metallgesellschaft case shows that there is a weakness which threatens the fabric of the German economy," he concluded.

Mr Schmitz has been praised by fellow board members for the energetic way he has led the supervisory board at Metallgesellschaft since he took over as chairman last April. He is likely to argue on Thursday that he was entitled be kept informed by the management board but that he was not kept in the picture.

German groups reluctant to list

David Waller examines a deep-seated cultural aversion of family-owned companies to the stock market

Last summer, Mr Ronaldo Schmitz, head of corporate finance at Deutsche Bank, made a brave prognosis. He predicted that in the medium to long-term, between 1,500 and 2,000 companies would come to the German stock market

In retrospect, his prediction looks excessively optimistic. In spite of buoyant stock market conditions last year, only 11 companies went public – up from seven in 1992 but down from the 19 new issues in 1991 and 26 in 1990. Following last year's listings, the number of companies quoted on the eight German stock exchanges is now a modest 664.

Collectively, Germany's quoted companies had a market capitalisation of about DM800bn ($466bn) at the end of last year. This represents 30 to 35 per cent of Germany's GDP – far less than in the UK, the US, Japan or Hong Kong, where the stock markets account for between 60 and more than 100 per cent of GDP.

These figures show that Germany's stock market, however popular with international investors last year (the DAX index of 30 leading shares rose 46.7 per cent in 1993) is under-developed.

The capitalisation of the German market is only the third largest in Europe – although Germany is Europe's largest economy. The total number of new issues in Germany over the last 10 years has been about 200 – compared with 180 in the UK last year alone.

"We looked on with envy at the number of new issues in the UK last year," said Mr Werner Seifert, chief executive of the Deutsche Börse (the German stock exchange).

This lack of development means that investors are denied the opportunity to buy into important sectors of the German economy, such as food manufacturing or services, because there are few quoted companies in these sectors.

There are at least 2,000 German manufacturing companies with turnover of DM100m or more, that being the size at which the owners of such companies could bring them to the stock market in they wanted to.

The problem is, as the meagre new issue statistics show, few owners of such companies want to bring them to the market. Why should this be?

One consideration is that domestic institutional shareholders – pension funds and insurance companies which are the natural buyers of new issue shares – are thin on the ground in Germany.

In 1990, when the Bundesbank last published a study of the ownership structure of the German stock market, such institutions owned just 12 per cent of the market – compared with 55 per cent in the UK.

If institutional investors are under-represented on the German stock market, so are private households, whose share of stock market ownership dropped from 27 per cent in 1960 to 17 per cent in 1990.

In the case of new issues, investors' suspicions have been underscored by aggressive pricing. A recent study from Schröder Münchmeyer Hengst, the German bank owned by Lloyds Bank of the UK, shows that new issues have not proved to be very rewarding investments over 1992–93. Only two of the 1992 new issues outperformed the market last year, while two fell in price and one went bankrupt.

If these factors explain why there is limited demand for shares in new companies, they do not address the problem of supply. Owners of large "mittelstand" companies could overcome these hurdles if they wanted to. That they do not reflects a deep-seated cultural aversion to the stockmarket.

"Why should I share my independence with anyone else," asks Mr Reinhold Würth, proprietor of the Würth group, a distributor of screws, fasteners and other products used by the building trade. With turnover of more than DM3bn and unbroken profits growth over 40 years, it could easily float. "But why should I take such a step as long as I can cover my growth with profits and cash flow?" Mr Würth said.

This sentiment is expressed time and time again by family owners of companies which in the US or the UK would almost without exception be listed.

The reason is that the move from private company to quote company status forces a reorientation of priorities. "It is a big step from managing the business with a view to paying as small a tax bill as possible to generating profits for outside shareholders," says an official at Commerzbank.

"Owners do not want the publicity associated with a quote," he says. "They are not particularly interested in money, either – they are rich enough already. They are more concerned not to lose their special position within their local community and are acutely conscious that their power and influence will disappear. If they sell, they become merely rich – as the proprietor of a company they really are somebody."

Even when a family decides to list, it rarely abandons control to the vagaries of the stock market. Thus the BMW group – majority-owned by the Quandt family – can enjoy the benefits of the stock market without changing its essential character as a (very large) family business.

Analysts predict that the number of new issues will accelerate towards the end of the current decade. But it seems unlikely that an Anglo-American "equity culture" will be take root in Germany until well into the 21st century.

NEWS DIGEST

Dutch insurer to withdraw from Belgium

Aegon, the Dutch insurance group, has decided to withdraw from the Belgian market and sell its insurance activities there to Almanij-Kredietbank, the Belgian savings bank group, writes Ronald van de Krol in Amsterdam.

Neither company would disclose the price commanded by Aegon's Belgian insurance business, which generates annual premium income of around BFr3.5bn ($95m).

The transaction will more than double Almanij's premium income from insurance activities to BFr8bn.

Aegon said it was withdrawing from Belgium because of the absence of expansion opportunities and the fact that its insurance activities lacked the necessary critical mass.

Second bid for America West

A group of investors led by Mr David Bonderman, the chairman of Continental Airlines, has launched a bid to bring America West, the ninth largest US airline, out of bankruptcy, writes Patrick Harverson in New York.

The terms of the new bid were not disclosed, but the offer from Amwest Partners – the group led by Mr Bonderman – is the second bid for America West. Mr Michael Steinhardt, a New York money manager, has said he is willing to invest $250m in the airline. America West must choose from the bids by Thursday.

Air Canada on the way back to black

Air Canada, having settled its two-year dispute with rival Canadian International over ticket reservation systems, is "on the way back to profitability in 1994," says Mr Hollis Harris, chairman, writes Robert Gibbens in Montreal.

An improving North American airline market, new international and regional routes and more gains in productivity should make the turnround possible, he said in a preliminary report for 1993.

The airline posted losses for the three previous years. Operating results in 1993 showed a profit of C$77m (US$57m) against a loss of C$145m in 1992. But after special items totalling C$263m, there was a final net loss of C$326m, or C$4.23 a share, against a loss of C$454m, or C$6.13.

The special items included a C$80m provision for its remaining investment in GPA, C$31m for its investment in the Gemini reservation system and C$76m for further staff cuts.

The Markets

THIS WEEK

Global Investor / **Martin Dickson in New York**

A task for testimony

Fundamental US economic factors should simultaneously be strengthening the dollar over the next few months. The economy is expanding at a relatively strong clip – many economists are forecasting GDP growth of 3 to 3½ per cent this year – and the Federal Reserve has started to tighten monetary policy.

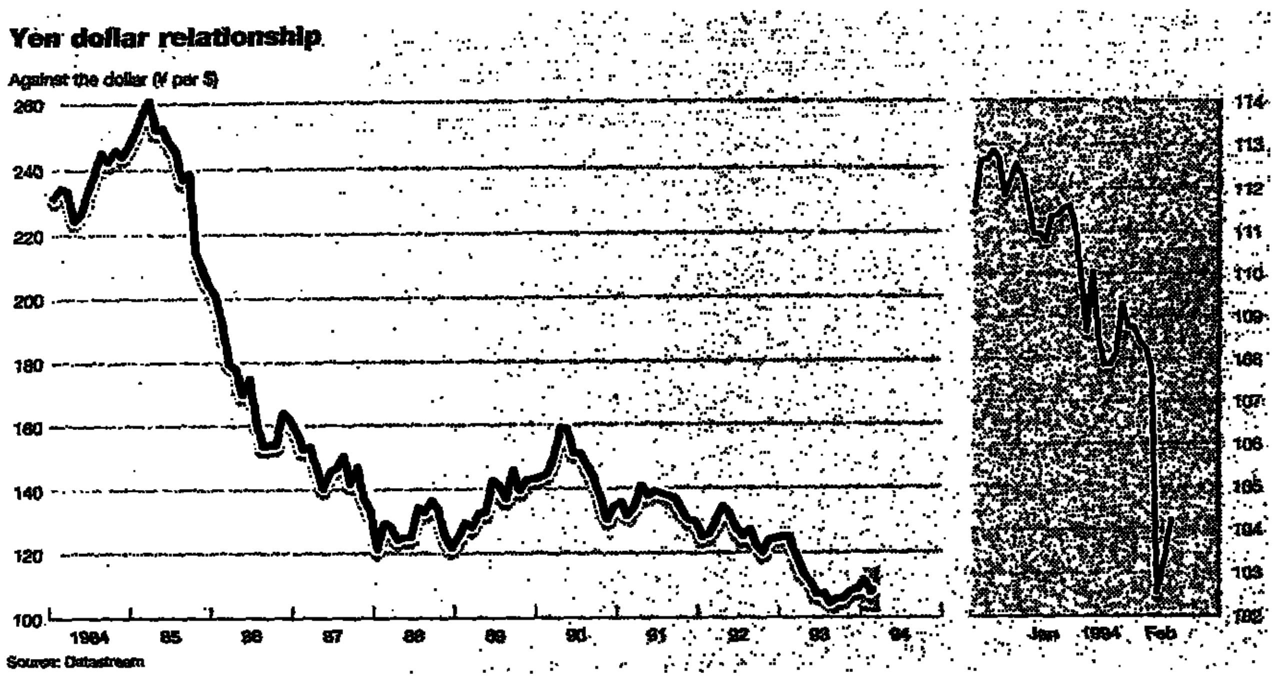
However, the central bank, which raised the Fed Funds rate by 25 basis points at the start of this month, may have to tighten another notch or two before it allays the jitters which have overtaken the Treasury bond market over the past few weeks.

After a sharp drop in price on Friday, the benchmark 30-year issue ended last week with a yield of 6.62 per cent, up from 6.40 a week earlier, and some market analysts now think yields could rise to between 6.75 and 7 per cent before stabilising and reversing direction, and that could feed through to a significant dip in equity indices.

The bond market has yet to be convinced that inflationary pressures are under control. This was graphically demonstrated on Thursday when bearish traders brushed aside a healthy January reading for the consumer price index and focussed instead on a much more narrow measure of price increases, from the Philadelphia Federal Reserve Board, which showed a significant increase. The week's fall in the dollar relative to the yen will also have fed fears of imported inflation.

The market may not regain its composure until there is a run of slow-growth statistics, or until after further rounds of Fed tightening, which could nevertheless be bearish for bonds in the short term. Many analysts expect the Fed Funds rate to rise from 3.25 per cent to 3.5 over the next two months, with some predicting 4 per cent by mid-year.

However, short-term sentiment could be powerfully affected on Tuesday by Mr Alan Greenspan, the Fed chairman, who will deliver his semi-annual Humphrey-Hawkins testimony on monetary policy to Congress. At the very least, he is expected to reaffirm his recent testimony before a Congressional committee that the strength of the economic expansion means the Fed must become less "accomodative."



Source: Datastream

■ Huffing and puffing the Yen up

Is the time fast approaching to sell the Japanese Yen? The question is prompted by the surge in the currency relative to the dollar over the past week following the breakdown of US-Japanese trade talks and threats by Washington to take fresh trade sanctions against Tokyo.

The coming week will produce a great deal more huffing and puffing from the two capitals, and this is likely to keep the relationship between the currencies volatile, with the possibility of further Yen appreciation from the rate of 104.60 to the dollar reached in late Friday trading.

The Yen's sharp rise stems from the market's expectation that Washington will "talk up" the Japanese currency to put negotiating pressure on the Hosokawa Government. And the mere anticipation of such a move has obviated the need for overt action by the US, which has sat back and tacitly accepted the Yen's advance.

This week the Clinton administration is expected to unveil tougher action to force the Japanese to accept numerical import quotas and reduce their trade surplus.

In Tokyo, where the Bank of Japan has been intervening heavily to hold back the Yen's advance, the Government is reported to be drafting voluntary trade concessions in an attempt to head off the dispute, and it may want to have a plan ready by next Saturday, when Finance Ministers from the G7 nations meet in Frankfurt.

The market suspects the Japanese may ask the G7 to intervene to support a rate of Y110 to the dollar, which officials in Tokyo argue is more reflective of economic fundamentals.

Certainly, as Ravi Bulchandani of Goldman Sachs points out, the real effective yen exchange rate is well above any level that the currency has been able to sustain in the past.

And prolonged continuation of the current rate will hurt the Hosokawa administration, undermining its economic stimulus package, hitting corporate profitability and stock prices, and possibly prolonging recession.

US policy-makers face a trade-off between a desire to squeeze genuine trade concessions out of Japan, and the knowledge that prolonging recession there is ultimately harmful to US exports and geopolitical interests.

Tokyo, for its part, seems to have two central policy options. One is to give considerable ground to the US on trade issues, while appearing to stand firm on numerical targets to shore up the Government's weak domestic political position.

The other is to take pressure off both the yen and the domestic economy by a further cut in interest rates. Yasushi Mieno, the governor of the Bank of Japan, maintained last week that interest rates were sufficiently low to support economic activity, but many analysts in Tokyo expect easing action in the near future. Whatever the policy mix, it should exert downward pressure on the yen.

■ Bundesbank action

The dollar should strengthen against European currencies over the next few months as European interest rates continue to fall and as political uncertainty mounts in Germany, with the approach of länder and national elections.

The downward trend of European rates was reconfirmed on Thursday with the Bundesbank's announcement of a 50 basis point cut in the discount rate, which may have been delayed a couple of weeks as the bank weighed up the impact on the D-Mark of the Fed's tightening action.

In the event, the dollar has been sliding against the D-Mark, dragged down by its yen weakness, and the fall perversely persisted to the end of last week, despite the Bundesbank's rate cutting action.

However, it may be a week or two before the Bundesbank cuts its most important instrument, the repo rate, which it left unchanged at 6 per cent.

It could be holding back until it sees further progress in talks to avert national engineering strikes, better inflation figures, or the March 1 implementation of a cut in commercial banks' minimum reserves.

SG Warburg's international bonds team argues that with inflation likely to fall from 3.5 per cent to 2.5 per cent by the end of the year, there is a good chance the discount rate will fall at least 1 per cent further towards a trough early in 1995 of 4 per cent, with the repo rate about 25 basis points higher.

Although the Bundesbank's action was widely imitated across Europe on Thursday, France failed to match the cut.

But the weakness of the French economy means that it will surely follow suit before long, possibly waiting for the repo rate to drop first.

Total return in local currency to 17/2/94

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.06	0.04	0.12	0.12	0.16	0.09
Month	0.26	0.20	0.51	0.55	0.71	0.45
Year	3.89	6.16	7.31	9.50	11.13	5.83
Bonds 3-5 year						
Week	-0.20	-0.09	0.04	-0.17	-.91	0.21
Month	-0.87	-0.92	-0.52	-0.76	-0.58	-0.16
Year	5.58	6.81	10.19	15.15	22.89	9.99
Bonds 7-10 year						
Week	-0.47	-0.47	-0.35	-0.07	-0.83	0.47
Month	-1.88	-1.09	-1.41	-1.15	-1.08	-1.04
Year	8.28	8.05	12.10	19.34	33.33	15.67
Equities						
Week	0.9	-2.3	0.9	-1.1	-1.2	0.7
Month	0.1	3.6	0.8	-1.9	10.0	1.1
Year	11.7	22.4	30.4	29.0	42.8	28.5

Best performing stocks from FT-A World Indices in local currency to 17/2/94

	Close	% change Week	Month	Year
Asia Pacific Land (Mal)	3.60	34.1	31.4	260.0
Duro Felguera (Spa)	889.00	25.9	33.9	-12.3
Lotus Dev. (USA)	66.50	18.8	18.2	187.8
Columbia Gas (USA)	29.13	14.2	28.7	38.3
Engelhard Corp (USA)	26.88	13.6	2.8	1.1
Unidanmark A (Den)	248.08	12.3	7.8	78.3
Banca Comm. (Ita)	5,352.00	11.9	20.3	59.6
Beatrix Mines (SA)	23.50	11.9	-12.1	91.8
Total Petroleum (Can)	20.09	11.8	23.1	142.4
Nachi Fujikoshi (Jap)	397.00	11.8	19.9	7.0

Source: Cash & Bonds - Lehman Brothers. Equities - © NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co. and NatWest Securities Limited.

■ Bullish on Japan

Could the current strength of the yen be due in small part to foreign investors, who have been substantially underweight in Japanese stocks, placing an early bet on economic recovery?

A straw in the wind could be the latest thinking of Morgan Stanley strategist Barton Biggs, who thinks the pivotal economic event of the year in certain respects "will not be the gradual rise in US interest rates, but rather an unexpected and strong economic recovery in Japan".

In Biggs' view, such a revival would be bullish for the world economy. Japanese stocks, Australia (Japan's natural resource supplier), oil prices and maybe Malaysia (natural gas, tin, palm oil).

But, he adds, it could be bearish for Japanese bonds, the yen (as the trade surplus shrinks), and probably for Hong Kong and other Asian rim markets where Japanese money has gone.

He cautions that both the government's economic stimulus programme and the survival of the prime minister are in doubt, but points out that "even depressions and secular bear markets don't last forever, and stock market bottoms are build from discouragement and despair."

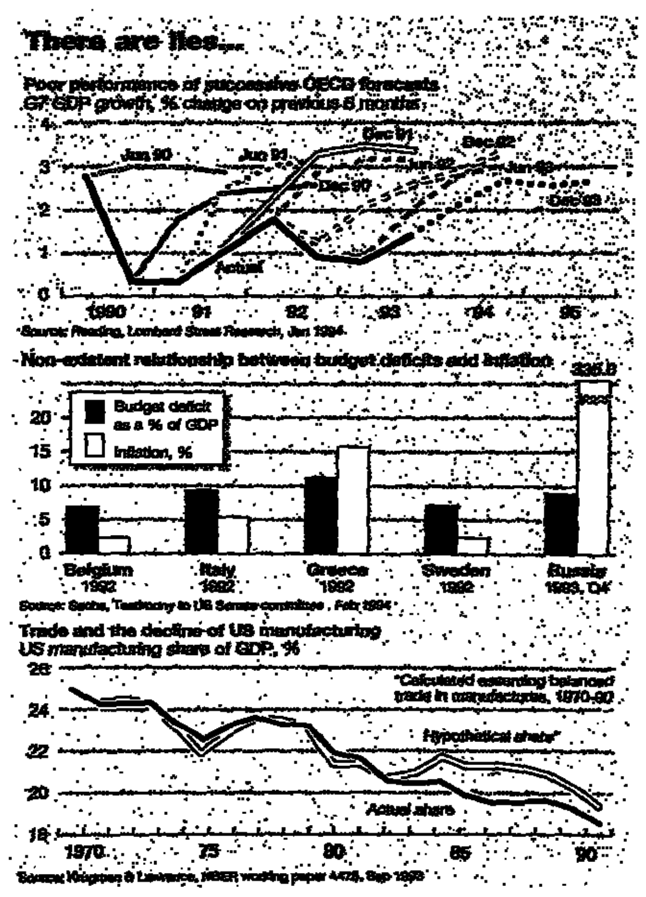
Economic Eye / **Edward Balls**

No advantage in pseudo-scientific futurology

The willingness of newspapers to report the outpourings of model-based forecasters gives economists a terribly bad name. If manipulating giant and complex statistical models of the world economy delivered reliable results, then all would be fine. But the recent record of the UK Treasury, the International Monetary Fund or the Organisation for Economic Co-operation and Development has been miserable.

Anyone who doubts just how bad these models are at predicting cyclical turning points only need glance at the upper chart for a damning confirmation.

Economics is just not suited to the kind of pseudo-scientific futurology that these models purport to deliver. Engineering scientists can use theory and the results of controlled experiments to make accurate predictions about, say, the weight a bridge will bear before it falls. But economists do not have the tools, or the information, that the engineer has to work with when they try, for example, to predict with any accuracy when the aggregate consumer savings ratio will fall.



Economic theory provides a powerful conceptual framework, but much of it is based on implausible assumptions about the rationality of human responses. Study of the statistical past can indicate plausible causal relationships, but testing an economic inference about aggregate consumer behaviour using controlled experiments is almost always impossible.

Not that economists can afford to stop trying to predict the future. But, if economists are useful to have around, it is because of their deeply-ingrained scepticism, their willingness to doubt assumptions or ask whether the conclusions really follow.

The best UK City economists, most of whom eschew large-scale models, are successful precisely because they continually doubt whether the future will be like the past. Their value lies in analysis, although it their forecasts which make the headlines.

The problem with the OECD and other large-scale forecasters, aside from their ridiculous claims to accuracy, is that their statistical models always require them to look back to the future, finding patterns in the past to predict how tomorrow will be. In this recession, albeit a little late, OECD economists produced some typically good analysis of the historically unprecedented debt burdens facing UK, US or Japanese companies and consumers. But the implications for the pace of recovery were not incorporated into their forecasts, at least not until the OECD's woefully erroneous forecasts had done terrible damage to its forecasting reputation.

Yet the danger really starts when macro modellers graduate to policy making and try to elevate past statistical relationships to orthodox policy doctrine. Remember, for example, the UK Treasury's repeated statements during the final months of sterling's membership of the European exchange rate mechanism. In or out for the ERM, the UK could not cut interest rates below those in Germany they said. Even a modest devaluation would inevitably lead to higher inflation, they feared.

Neither assertion seemed plausible at the time, given the depressed state of the UK economy. And both have been proved wrong since. But the Treasury has still not cottoned on. Worried about the resurgence of post-devaluation inflation, it has cut rates much more modestly than the US Federal Reserve has done with no apparent inflationary cost. If growth remains sluggish, the Treasury will eventually sanction further cuts, although history suggests they will come too late and stay low too long.

The failure of the IMF to engage with Russian reformers or provide funds for a successful stabilisation provides another example of the shortcomings of model-based, rule-bound, apolitical economics.

The IMF has doggedly clung to the details of its standard programme, tried and tested in Latin America, which makes any release of funds conditional on the prior closing of the budget deficit, even though state spending cuts and the associated rise in unemployment were politically impossible in Russia.

But, as Professor Jeffrey Sachs of Harvard University has repeatedly pointed out, there is nothing inherently inflationary about a budget deficit so long as it is financed by external finance rather than printing money. The point of western aid should have been to stabilise the price level before the government started the painful task of cutting state subsidies. To make aid a reward for success has merely made failure inevitable.

Prof Sachs criticism of the IMF is a good example of economics at its best, challenging conventional wisdom not with the black box of an econometric model but through a close study of all the available evidence. Economic analysis is most powerful when it pieces together a number of theoretical insights and statistical relations to build a convincing alternative view.

Take the Ross Perot charge that import penetration from developing countries is undermining employment in US manufacturing industry. Is he right? No, say Robert Lawrence and Paul Krugman of Harvard and MIT, the decline in manufacturing is much greater than can be explained by trade penetration, as the lower chart shows. Yes, says Adrian Wood of Sussex University, for their alternative explanation – technological change favouring skilled workers – is also driven by the threat of external competition.

Whether the question is how to aid Russia, why consumer spending is so sluggish or the case for wage subsidies in east Germany, the same methodology works best. Macro modellers, be they the OECD, the IMF or the Treasury, should put away their crystal balls and get back to economics.

This is Edward Balls' last column. He is leaving the FT to become economics adviser to the UK shadow chancellor, Gordon Brown MP.

EMERGING MARKETS: This Week

The Emerging Investor / Tony Walker

Rough riding ahead in China

China's fledgling stock markets are set for another bumpy year while traders digest implications of a new tax law, a government credit squeeze limiting funds available for investment, and faltering attempts to conclude a new securities law.

Judging by sharp fluctuations in the first seven weeks of the year of both the yuan-denominated A-share and dollar B-share indexes – they dived before recovering some lost ground – traders are jittery.

Investors are likely to continue to be distracted by plans to float a new batch of Chinese companies on overseas stock exchanges, by talk of a third stock exchange by the end of the year, and by fears that China's credit crunch may herald the beginning of a recession.

Other factors depressing share prices include improving bond yields and a rash of new issues. Twelve-month treasury bonds yielding 11.9 per cent are proving appealing to institutional and individual investors.

The new tax law is another factor dragging markets down since it leaves it unclear whether investors are liable for capital gains tax on top of charges on share transactions and tax on dividends.

But if there is good news for Chinese investors and foreign institutions warily testing the markets, it lies in the apparent commitment of China's stock regulators to further economic liberalisation, and to stiffening regulatory procedures.

Professor Li Yining, one of China's most influential economists and the head of a parliamentary committee drafting the new Securities Law, believes that additional steps to bolster public trust in capital markets are vital for market reforms.

China's Securities Law is now in its seventh draft and Prof Li hopes that by the end of this year it will be implemented, although a number of contentious issues remain to be resolved.

These include differences over the degree of self-regulation to be allowed to local exchanges; over whether over-the-counter trading will be permitted; and whether state shares (as opposed to those held by institutions and individuals) should be traded in the market.

Some officials fear this will lead to the state losing control of state enterprises.

Prof Li favours stronger central control over markets, but says that given powerful provincial interests it would be difficult for a body like the US Securities and Exchange Commission to emerge in China.

He also believes that OTC trading should be permitted, since to outlaw it would only encourage a "black market".

And, finally, he feels that "state-owned shares" should be traded, otherwise "they are dead".

Ten best performing stocks

Stock	Country	Friday close	Week on week change $	%
Alarko Holding	Turkey	1.1206	0.4029	56.15
Arcelik	Turkey	1.2691	0.4410	53.26
Eregli Demir Ve Celik	Turkey	0.2781	0.0960	52.67
Yapi Ve Kredi Bankasi	Turkey	0.2241	0.0751	50.36
Ege Biracilik	Turkey	4.3742	1.4209	48.11
Eczacibasi Ilac	Turkey	0.9991	0.3228	47.74
Eczacibasi Yatrim	Turkey	0.4266	0.1341	45.82
Koc Holding	Turkey	2.1601	0.6696	44.93
Aygaz	Turkey	0.5400	0.1647	43.86
Telstas	Turkey	1.0936	0.3207	41.50

Source: Baring Securities

Most importantly, however, Prof Li sees the development of China's equity markets as a means of facilitating a faltering process of corporatisation and privatisation. "If we don't set up shareholding companies we will never be able to separate government and management," he says.

Among the authorities' most urgent tasks is the effort to "corporatise" – this is a Chinese half-way house to privatisation in which enterprises are detached from state control – or fully privatise elements of the faltering state sector. This involves dealing with the vexed property rights issue.

Until the question of ownership of state assets is resolved, and therefore who should be responsible for disposing of such assets, the process of unravelling state control will prove difficult, if not impossible.

Various creative solutions have been advanced, including channelling state assets into a special "State Investment Corporation" which would be responsible for divestiture; the transfer of assets from the government itself to larger enterprises; or the establishment of provincial commissions which would also be entrusted with the task of selling off state assets.

These solutions are believed to be reflected in one form or another in a draft law on "Controlling State Assets" submitted recently to the State Council, or cabinet. This measure, together with a new Corporate Law due to come into effect in July, should go some way towards providing the legal basis for a rational process of divestiture.

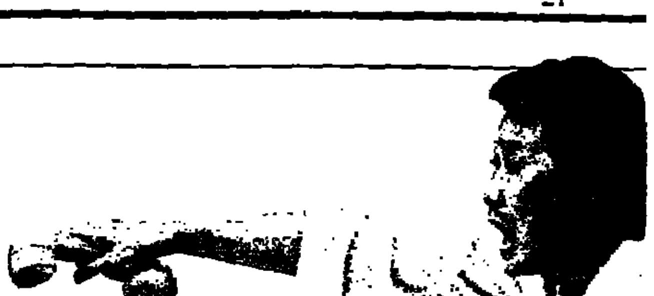
Prof Li himself favours a combination of the various approaches mentioned above together with full privatisation for smaller enterprises, and mixed state and private ownership for larger businesses along the lines of the French or Scandinavian models.

Foreign legal experts believe that China is slowly moving towards having a "pretty good" regulatory framework, although they criticise what they regard as an arbitrary approach by the Securities Regulatory Commission – the national securities watchdog – to selecting companies for overseas listing.

They note that of the latest batch of 23 companies selected for listing abroad – six mainland companies listed in Hong Kong last year – there is a preponderance of power companies, including three from Shandong province alone. This suggests a less than rational approach in the selection process, and also reflects, no doubt, powerful lobbying at the centre.

Premier Li Peng's family, for example, has long been connected with the power company, Huaneng International, which is among the candidates for foreign listings this year.

In light of the squeeze on credit – the authorities have placed a ban on bank lending for new capital spending – pressures to be allowed to venture into international capital markets are certain to grow. China's evolving regulatory apparatus faces no easy task in a surging transitional economy undergoing a rapid and somewhat chaotic transformation to a market-oriented system.



News round-up

■ Strategy

Mr David Roche of Morgan Stanley has put his bet on Poland as eastern Europe's answer to a 'tiger economy'. Addressing himself to a longer time horizon than many analysts – in a research paper called "2001: an investment odyssey" – the global strategist suggests that the Czech and Hungarian republics will also do well, "but unlike Poland they do not offer the double advantage of having a large and growing market, as well as a cheap manufacturing base."

As for emerging markets in general, he forecasts that several of the world's restructuring economies will fail to transform: "this could damage the emerging markets mania sweeping the investment world."

■ Poland

Poland's finance minister is to ask the stock exchange authorities to consider suspending trading in Bank Slaski until all investors obtain equal access.

On Thursday the bank had its stockbroking licence revoked by the securities commission following charges that it had mismanaged its own privatisation. It has been given six months to wind down its operations.

Ing of the Netherlands has a 25.9 per cent stake in the bank.

■ Kenya

The government has scrapped several foreign currency controls, to bring the country close to its declared aim of total liberalisation. Kenyans living overseas will be allowed unlimited local borrowing to finance local investment, and restrictions on local borrowing by foreign-controlled companies will also be lifted.

Controls remain on capital accounts and rules barring foreign investors from trading on the Nairobi stock market.

■ Israel

The stock market closed down 6 per cent last week, depressed by the recent arrest of two portfolio investment managers by the securities authority on suspicion of manipulating securities for the eight companies they managed. A third person, Mr Amos Weiss, a leading portfolio manager with some Shk1bn (some $335m) under management, was released on bail last week also after questioning on suspicion of stock manipulation.

■ Nigeria

Activity on the stock exchange was slightly more muted in 1993 than in the previous year, the authorities reported last week. According to the latest estimates shares put on 39 per cent in 1993 compared with a 41 per cent rise in 1992.

The stock exchange also reported that 21 new companies were listed on the daily official list in 1993, up from 12 in 1992. At present there are 175 listed companies, with a market capitalisation of N50.5bn.

■ Romania

Holders of vouchers will be able to swap them for shares in 20 state enterprises from May, when the Private Ownership Fund issues its first list of companies to be privatised through public offerings. The country's five regional funds hold a 30 per cent stake in some 6,000 state enterprises designated for privatisation over the next seven to 15 years.

■ Budapest

The government has drawn up a short list of privatisation consultants to help float shares of Matav, the telecommunications group, on the Budapest stock exchange by the middle of this year.

CURRENCY MARKETS — Philip Gawith

Focus on Greenspan testimony

Following last week's Bundesbank-led easing of monetary policy across Europe, attention now switches to Mr Alan Greenspan, chairman of the US Federal Reserve, who delivers his Humphrey-Hawkins testimony to the House Banking sub-committee tomorrow.

Mr Greenspan's bi-annual appearance, where he is called to explain his views on the economy, will be watched for indications of the likely future course of US monetary policy. The Fed lifted interest rates by 25 basis points earlier this month, the first tightening of policy in five years.

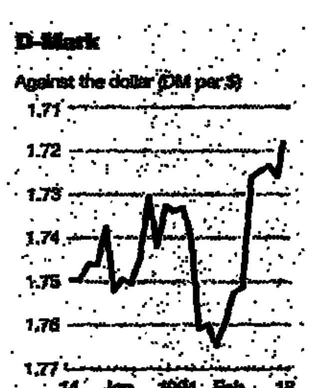
Although that move was well received, the dollar has subsequently weakened on the back of a trade dispute with Japan. The dollar last week fell to a six month low of Y101 against the yen and was generally weaker across the board.

Since the tightening of policy, US economic data has presented a mixed picture, leading some to wonder whether the Fed might not have moved prematurely. Weakness in US bond prices, however, shows that many investors believe the Fed will respond to some inflationary signs with a further tightening. Given this uncertainty, Mr Greenspan is sure to be closely questioned to ascertain his views on the outlook for inflation and interest rates.

In Europe attention will focus on Germany and France. While last week's cut in the discount rate by the Bundesbank has paved the way for a cut in its key repo rate, few see this happening until the wage dispute in the engineering industry is resolved.

France, meanwhile, was the only key EMS country not to cut rates last week. Thursday's meeting of the council of the Bank of France will provide an opportunity to fall into line. Mr Neil MacKinnon, chief economist at Citibank, argues that pressures are building on France to ease policy.

The G-7 meeting of finance ministers and central bankers takes place in Frankfurt on Saturday. US/Japan trade tensions will probably top the agenda. The meeting may provide the spur for Japanese proposals aimed at breaking the logjam.



Source: FT Graphite

Baring Securities emerging markets indices

Index	18/2/94	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (239)	181.60	-1.11	-0.61	11.44	6.73	13.19	7.83
Latin America							
Argentina (19)	136.60	2.93	2.19	19.56	16.71	21.22	18.39
Brazil (18)	205.18	-5.74	-2.72	19.54	10.53	65.53	46.93
Chile (12)	184.52	6.96	3.92	20.78	12.69	36.98	25.06
Mexico (22)	174.69	-1.97	-1.11	17.59	11.20	13.43	8.33
Latin America (71)	179.68	-1.12	-0.62	19.31	12.04	30.43	20.39
Europe							
Greece (14)	97.42	2.45	2.58	-8.28	-7.84	14.33	17.24
Portugal (13)	134.05	6.81	5.35	14.00	11.66	21.92	19.55
Turkey (22)	133.52	35.16	35.75	-41.95	-23.91	-28.19	-17.43
Europe (49)	120.87	11.03	10.04	-6.23	-4.91	8.63	7.69
Asia							
Indonesia (17)	169.80	-6.94	-3.93	-5.02	-2.87	-1.24	-0.73
Korea (23)	125.97	1.72	1.38	16.12	14.68	16.27	14.83
Malaysia (21)	211.75	-6.59	-3.02	-6.58	-3.02	-41.30	-16.32
Philippines (9)	299.86	1.73	0.58	11.37	3.94	-22.62	-7.01
Thailand (20)	237.32	6.08	2.63	2.42	1.03	-26.23	-9.95
Taiwan (29)	147.90	-15.68	-9.58	-1.69	-1.13	-5.81	-3.78
Asia (119)	201.68	-4.50	-2.19	0.73	0.36	-19.74	-8.91

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday February 11, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Country	Currency	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2721.68	1856.18	1059.84	1720.3
Albania	(Lek)	160.60	109.527	62.5267	101.511
Algeria	(Dinar)	35.3472	24.1063	13.7618	22.3419
Andorra	(Fr Fr)	8.7300	5.9537	3.3988	5.5179
	(Sp Peseta)	208.965	142.525	81.3648	132.093
Angola	(New Kwanza)	10149.38	6921.75	3951.47	6415.12
Antigua	(E Carr $)	3.9420	2.6883	1.5347	2.4916
Argentina	(Peso)	1.4635	0.998	0.5697	0.925
Aruba	(Florin)	2.6134	1.7823	1.0174	1.6518
Australia	(Aus $)	2.0487	1.3958	0.7968	1.2936
Austria	(Schilling)	18.0768	12.328	7.0378	11.4257
Azores	(Port Escudo)	259.242	176.8	100.931	163.859
Bahamas	(Bahama $)	1.4663	1	0.5708	0.9268
Bahrain	(Dinar)	0.5529	0.377	0.2152	0.3494
Balearic Is	(Sp Peseta)	208.965	142.525	81.3648	132.093
Bangladesh	(Taka)	57.6268	39.3	22.4355	36.4234
Barbados	(Barb $)	2.9385	2.0026	1.1432	1.856
Belgium	(Belg Fr)	53.0214	36.1599	20.6429	33.5133
Belize	(B $)	2.9200	1.9914	1.1368	1.8456
Benin	(CFA Fr)	873.00	595.376	339.887	551.798
Bermuda	(Bermudian $)	1.4663	1	0.5708	0.9268
Bhutan	(Ngultrum)	45.9942	31.3675	17.907	29.0716
Bolivia	(Boliviano)	6.5984	4.5	2.5689	4.1706
Botswana	(Pula)	3.8200	2.6051	1.4872	2.4145
Brazil	(Cruzeiro Real)	795.585	542.58	309.747	502.888
Brunei	(Brunei $)	2.3241	1.585	0.9048	1.4689
Bulgaria	(Lev)	39.65	27.0408	15.437	25.0616
Burkino Faso	(CFA Fr)	873.00	595.376	339.887	551.798
Burma	(Kyat)	8.4775	5.4835	3.6688	5.8904
Burundi	(Burundi Fr)	395.50	268.727	153.981	249.984
Cambodia	(Riel)	5110.00	3484.96	1989.49	3229.88
Cameroon	(CFA Fr)	873.00	595.376	339.887	551.798
Canada	(Canadian $)	1.9704	1.3437	0.7671	1.2454
Canary Is	(Sp Peseta)	208.965	142.525	81.3648	132.093
Cp. Verde	(CV Escudo)	108.3320	73.8811	42.1771	68.4735
Cayman Is	(CI $)	1.1972	0.8164	0.4661	0.7567
Cent.Afr. Rep	(CFA Fr)	873.00	595.376	339.887	551.798
Chad	(CFA Fr)	873.00	595.376	339.887	551.798
Chile	(Chilean Peso)	628.9896	428.95	244.878	397.554
China	(Yuan)	12.7677	8.7074	4.9708	8.07
Colombia	(Col Peso)	1199.2575	817.88	466.91	758.016
CIS ‡	(Rouble)	0.8720o	0.5948	0.3394	0.5511
		2302.98m	1570.61	896.624	1455.65
Comoros	(CFA Fr)	873.00	595.376	339.887	551.798
Congo (Brazz)	(CFA Fr)	873.00	595.376	339.887	551.798
Costa Rica	(Colon)	223.015	152.094	86.8269	140.961
Côte d'Ivoire	(CFA Fr)	873.00	595.376	339.887	551.798
Croatia	(Dinar)	9604.88	6550.62	3817.36	6197.36
Cuba	(Cuban Peso)	1.1058	0.7541	0.4305	0.6989
Cyprus	(Cyprus £)	0.7656	0.5221	0.298	0.4839
Czech Rep.	(Koruna)	44.192	30.1384	17.2053	27.9324
Denmark	(Danish Krone)	10.0187	6.8326	3.9006	6.3325
Djibouti Rep	(Djib Fr)	256.25	174.76	99.7664	161.969
Dominica	(E Carib $)	3.9420	2.6883	1.5347	2.4916
Dominican Rep	(D Peso)	18.8240	12.8377	7.3287	11.8981
Ecuador	(Sucre)	2835.32o	1933.86	1103.96	1792.12
		2949.20a	2011.32	1148.22	1864.1
Egypt	(Egyptian £)	4.9362	3.3664	1.9218	3.12
El Salvador	(Colon)	12.7750	8.7124	4.9737	8.0747
Equat'l Guinea	(CFA Fr)	873.00	595.376	339.887	551.798
Estonia	(Kroon)	20.5660	14.0394	8.0147	13.0118
Ethiopia	(Ethiopian Birr)	7.1978	4.9088	2.8023	4.5496
Falkland Is	(Falk £)	1.00	0.6819	0.3893	0.632
Faroe Is	(Danish Krone)	10.0187	6.8326	3.9006	6.3325
Fiji Is	(Fiji $)	2.1907	1.494	0.8529	1.3848
Finland	(Markka)	8.3199	5.6733	3.2388	5.2581
France	(Fr)	8.7300	5.9537	3.3988	5.5179
Fr. Cty/Africa	(CFA Fr)	873.00	595.376	339.887	551.798
Fr. Guiana	(Local Fr)	8.7300	5.9537	3.3988	5.5179
Fr. Pacific Is	(CFP Fr)	155.50	106.049	60.5411	98.287
Gabon	(CFA Fr)	873.00	595.376	339.887	551.798
Gambia	(Dalasi)	12.2348	8.3438	4.7634	7.7332
Germany	(D-Mark)	2.5685	1.7516	1	1.6234
Ghana	(Cedi)	1306.70	891.155	508.741	825.928
Gibraltar	(Gib £)	1.00	0.6819	0.3893	0.632
Greece	(Drachma)	370.607	252.75	144.289	234.25
Greenland	(Danish Krone)	10.0187	6.8326	3.9006	6.3325
Grenada	(E Carr $)	3.9420	2.6883	1.5347	2.4916
Guadeloupe	(Local Fr)	8.7300	5.9537	3.3988	5.5179
Guam	(US $)	1.4663	1	0.5708	0.9268
Guatemala	(Quetzal)	8.5661	5.8419	3.335	5.4143
Guinea	(Fr)	1185.94	808.788	461.725	749.589
Guinea-Bissau	(Peso)	7300.00	4978.52	2842.13	4614.12
Guyana	(Guyanese $)	186.88	127.45	72.7584	118.121
Haiti	(Gourde)	17.52	11.9484	6.8211	11.0736
Honduras	(Lempira)	10.6726	7.2786	4.1551	6.7458
Hong Kong	(HK $)	11.3646	7.7505	4.4246	7.1832
Hungary	(Forint)	150.6590	102.73	58.6462	95.2107
Iceland	(Icelandic Krona)	107.54	73.4092	41.9077	68.0361
India	(Indian Rupee)	45.9942	31.3675	17.907	29.0716
Indonesia	(Rupiah)	3107.53	2119.3	1209.86	1964.18
Iran	(Rial)	2555.00	1742.48	994.744	1614.94
Iraq	(Iraqi Dinar)	0.4562	0.3111	0.1776	0.2883
Irish Rep	(Punt)	1.0439	0.7119	0.4064	0.6598
Israel	(Shekel)	4.3740	2.983	1.7029	2.7646
Italy	(Lira)	2478.60	1690.38	964.999	1566.65
Jamaica	(Jamaican $)	43.07	29.3732	16.7685	27.2233
Japan	(Yen)	158.214	107.9	61.5976	100.003
Jordan	(Jordanian Dinar)	1.0338	0.705	0.4024	0.6534
Kenya	(Kenya Shilling)	98.58	67.2099	38.3686	62.2906
Kiribati	(Australian $)	2.0487	1.3958	0.7968	1.2936
Korea North	(Won)	3.1390	2.1407	1.2221	1.984
Korea South	(Won)	1189.24	811.048	463.01	751.684
Kuwait	(Kuwaiti Dinar)	0.4366	0.2977	0.1699	0.2759
Laos	(New Kip)	1051.20	716.908	409.266	664.433
Latvia	(Lats)	0.8494	0.5792	0.3306	0.5368
Lebanon	(Lebanese £)	2497.84	1703.5	972.49	1578.81
Lesotho	(Maluti)	5.0506	3.4445	1.9666	3.1981
Liberia	(Liberian $)	1.4663	1	0.5708	0.9268
Libya	(Libyan Dinar)	0.4782	0.3261	0.1861	0.3022
Liechtenstein	(Swiss Fr)	2.1644	1.476	0.8426	1.368
Lithuania	(Litas)	5.6640	3.8632	2.2168	3.599
Luxembourg	(Lux Fr)	53.0214	36.1599	20.6429	33.5133
Macao	(Pataca)	11.8861	7.9897	4.5497	7.3864
Madagascar	(MG Fr)	2617.80	1921.71	1097.06	1781.05
Madeira	(Port Escudo)	259.242	176.8	100.931	163.859
Malawi	(Kwacha)	6.4969	4.4308	2.5294	4.1065
Malaysia	(Ringgit)	4.0492	2.7615	1.5764	2.5593
Maldive Is	(Rufiya)	16.2133	11.0572	6.3123	10.2479
Mali Rep	(CFA Fr)	873.00	595.376	339.887	551.798
Malta	(Maltese Lira)	0.5804	0.3958	0.2259	0.3668
Martinique	(Local Fr)	8.7300	5.9537	3.3988	5.5179
Mauritania	(Ouguiya)	175.419	119.634	68.2962	110.877
Mauritius	(Maur Rupee)	27.2280	18.5696	10.6011	17.2106
Mexico	(Mexican Peso)	4.5529	3.105	1.7725	2.8777
Miquelon	(Local Fr)	8.7300	5.9537	3.3988	5.5179
Monaco	(French Fr)	8.7300	5.9537	3.3988	5.5179
Mongolia	(Tugrik)	584.00	398.281	227.37	369.13
Montserrat	(E Carr $)	3.9420	2.6883	1.5347	2.4916
Morocco	(Dirham)	14.0613	9.5898	5.4745	8.8877
Mozambique	(Metical)	7892.55	5375.81	3066.83	4982.33
Namibia	(S A Rand)	5.0505	3.4445	1.9666	3.1981
Nauru Is	(Australian $)	2.0487	1.3958	0.7968	1.2936
Nepal	(Nepalese Rupee)	67.7107	46.1779	26.3619	42.7979
Netherlands	(Guilder)	2.8791	1.9635	1.1209	1.8197
N'nd Antilles	(A/Guilder)	2.6134	1.7823	1.0174	1.6518
New Zealand	(NZ $)	2.5570	1.7438	0.9955	1.6162
Nicaragua	(Gold Cordoba)	9.3693	6.4033	3.6555	5.9347
Niger Rep	(CFA Fr)	873.00	595.376	339.887	551.798
Nigeria	(Naira)	32.2598o	22	12.5593	20.3897
		58.40a	39.8281	22.737	36.9129
Norway	(Nor. Krone)	11.0067	7.5078	4.2863	7.0139
Oman	(Rial Omani)	0.5645	0.3849	0.2197	0.3568
Pakistan	(Pak. Rupee)	44.4578	30.3197	17.3088	28.1004
Panama	(Balboa)	1.4663	1	0.5708	0.9268
Papua New Guinea	(Kina)	1.5103	1.03	0.588	0.9546
Paraguay	(Guarani)	2625.08	1790.27	1022.03	1659.24
Peru	(New Sol)	3.1929	2.1775	1.243	2.0181
Philippines	(Peso)	40.3967	27.55	15.7277	25.5335
Pitcairn Is	(£ Sterling)	1.00	0.6819	0.3893	0.632
	(NZ $)	2.5570	1.7438	0.9955	1.6162
Poland	(Zloty)	32328.86	22048	12586.7	20434.2
Portugal	(Escudo)	259.242	176.8	100.931	163.859
Puerto Rico	(US $)	1.4663	1	0.5708	0.9268
Qatar	(Riyal)	5.3140	3.624	2.0689	3.3588
Reunion Is. de la	(F/Fr)	8.7300	5.9537	3.3988	5.5179
Romania	(Leu)	2161.64	1474.15	841.557	1366.25
Rwanda	(Fr)	216.31	147.521	84.2164	136.723
St Christopher	(E Carr $)	3.9420	2.6883	1.5347	2.4916
St Helena	(£)	1.00	0.6819	0.3893	0.632
St Lucia	(E Carr $)	3.9420	2.6883	1.5347	2.4916
St Pierre	(French Fr)	8.7300	5.9537	3.3988	5.5179
St Vincent	(E Carr $)	3.9420	2.6883	1.5347	2.4916
San Marino	(Italian Lira)	2478.60	1690.38	964.999	1566.65
Sao Tome	(Dobra)	350.40	238.969	136.422	221.478
Saudi Arabia	(Riyal)	5.4984	3.7506	2.141	3.476
Senegal	(CFA Fr)	873.00	595.376	339.887	551.798
Seychelles	(Rupee)	7.6577	5.2224	2.9813	4.8402
Sierra Leone	(Leone)	803.00	547.637	312.634	507.553
Singapore	($)	2.3241	1.585	0.9049	1.4689
Slovakia	(Koruna)	49.07	33.4651	19.1045	31.0157
Slovenia	(Tolar)	201.13	137.166	78.3064	127.129
Solomon Is	($)	4.7434	3.2349	1.8467	2.9981
Somali Rep	(Shilling)	3825.20	2608.74	1489.27	2417.8
South Africa	(Rand)	5.0566c	3.4486	1.9686	3.1961
		6.7120g	4.5775	2.6131	4.2424
Spain	(Peseta)	208.965	142.525	81.3646	132.093
Spanish Ports in N Africa	(Sp Peseta)	208.965	142.525	81.3646	132.093
Sri Lanka	(Rupee)	72.1200	49.185	28.0786	45.5849
Sudan Rep	(Dinar)	19.0619	13	7.4214	12.0484
Surinam	(Guilder)	2.6061	1.7773	1.0146	1.6472
Swaziland	(Lilangeni)	5.0566	3.4486	1.9686	3.1961
Sweden	(Krona)	11.8553	8.0851	4.6156	7.4933
Switzerland	(Fr)	2.1644	1.476	0.8426	1.368
Syria	(£)	29.93	20.4119	11.6527	18.9179
Taiwan	($)	38.769	26.44	15.094	24.5047
Tanzania	(Shilling)	720.51	491.38	280.518	455.414
Thailand	(Baht)	37.332	25.46	14.5345	23.5964
Togo Rep	(CFA Fr)	873.00	595.376	339.887	551.798
Tonga Is	(Pa Anga)	2.0487	1.3958	0.7968	1.2936
Trinidad/Tobago	($)	8.0865	5.5162	3.1491	5.1125
Tunisia	(Dinar)	1.5496	1.0569	0.6033	0.9795
Turkey	(Lira)	26562.07	18115	10341.5	16789.1
Turks & Caicos	(US $)	1.4663	1	0.5708	0.9268
Tuvalu	(Australian $)	2.0487	1.3958	0.7968	1.2936
Uganda	(New Shilling)	1387.00	945.918	540.004	876.683
Ukraine	(Karbovanets)	18628.27	12704.3	7252.59	11774.4
U A E	(Dirham)	5.38565	3.6592	2.0889	3.3913
United Kingdom	(£)	1.00	0.6819	0.3893	0.632
United States	(US $)	1.4663	1	0.5708	0.9268
Uruguay	(Peso Uruguayo)	6.6211	4.5155	2.5778	4.185
Vanuatu	(Vatu)	172.29	117.5	67.078	108.9
Vatican	(Lira)	2478.60	1690.38	964.999	1566.65
Venezuela	(Bolivar)	161.6889	110.27	62.9507	102.199
Vietnam	(Dong)	15855.8	10813.3	6173.1	10021.9
Virgin Is-British	(US $)	1.4663	1	0.5708	0.9268
Virgin Is-US	(US $)	1.4663	1	0.5708	0.9268
Western Samoa	(Tala)	3.8251	2.6086	1.4892	2.4177
Yemen (Rep of)	(Rial)	26.2800	17.9226	10.2316	16.6106
Yemen (Rep of)	(Dinar)	0.6729	0.4589	0.2619	0.4253
Yugoslavia	(New Dinar)				
Zaire Rep	(Zaire)	51.10	34.8496	19.8948	32.2988
Zambia	(Kwacha)	940.94	641.71	366.336	594.741
Zimbabwe	($)	12.1249	8.269	4.7206	7.6639

Special Drawing Rights February 10, 1994 United Kingdom £0.942138 United States $1.37505 Germany D Mark2.42119 Japan Yen148.760 European Currency Unit Rates February 11, 1994 United Kingdom £0.757618 United States $1.10703 Germany D Mark1.94063 Japan Yen119.615

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; [illegible] (s) Selling rate; (t) Tourist rate; (u) Currencies fixed against the US Dollar; (v) Floating rate; ‡ CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4060/6. Friday, February 11, 1994

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 22.02.94 Pool purchase price £/MWh	Final Prices for Trading on 21.01.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.75	17.82	17.82
0100	27.68	28.93	30.82
0130	27.68	33.65	35.54
0200	27.68	33.65	35.54
0230	18.07	28.93	30.82
0300	18.29	25.02	26.90
0330	18.97	23.62	25.50
0400	17.75	25.02	26.90
0430	17.75	20.43	22.31
0500	16.70	20.43	22.31
0530	16.68	20.45	22.34
0600	16.62	20.22	22.10
0630	16.60	20.22	22.10
0700	16.60	20.22	22.10
0730	16.60	20.22	22.10
0800	16.60	20.22	22.10
0830	16.66	20.22	22.10
0900	16.62	20.22	22.10
0930	17.97	20.57	22.45
1000	16.75	20.89	22.89
1030	17.93	20.98	22.86
1100	18.07	23.58	25.46
1130	19.48	23.95	25.83
1200	21.58	32.33	34.22
1230	21.58	33.65	35.54
1300	21.58	33.65	35.54
1330	21.58	32.33	34.22
1400	19.48	25.12	27.01
1430	16.72	17.82	17.82
1500	16.68	17.82	17.82
1530	16.64	17.81	17.81
1600	16.64	17.81	17.81
1630	16.64	17.82	17.82
1700	16.75	23.32	25.20
1730	18.78	33.65	35.54
1800	21.58	33.65	35.54
1830	35.86	27.73	29.62
1900	35.86	27.73	29.62
1930	35.86	23.76	25.64
2000	23.06	24.06	25.94
2030	21.16	23.32	25.20
2100	19.48	23.76	25.64
2130	18.75	22.01	23.90
2200	17.87	21.21	23.10
2230	17.67	20.81	22.69
2300	16.70	17.82	17.82
2330	16.64	17.82	17.82
2400	16.64	17.81	17.81

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 21.02.94 Pool purchase price £/MWh	Final Prices for Trading on 20.01.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.75	20.64	22.03
0100	18.75	22.50	23.88
0130	19.48	33.70	35.09
0200	25.49	33.70	35.09
0230	18.48	24.27	25.66
0300	19.48	24.27	25.65
0330	19.48	24.27	25.65
0400	18.48	23.98	25.37
0430	17.67	20.81	22.19
0500	18.74	17.82	17.82
0530	16.60	17.63	17.63
0600	16.65	17.62	17.62
0630	16.62	17.65	17.65
0700	18.82	20.96	22.35
0730	19.04	23.08	24.48
0800	19.25	23.96	25.35
0830	20.34	25.04	26.42
0900	18.75	25.04	26.43
0930	20.04	28.74	30.13
1000	20.69	26.75	28.14
1030	20.63	28.75	30.14
1100	20.57	28.74	30.14
1130	20.54	18.31	18.31
1200	20.52	28.74	30.14
1230	20.47	28.74	30.13
1300	17.17	25.95	27.34
1330	17.09	25.04	26.43
1400	17.02	25.60	26.99
1430	17.00	25.60	26.99
1500	16.99	25.00	26.99
1530	17.00	25.60	26.09
1600	17.10	24.94	26.33
1630	17.30	26.12	27.68
1700	20.60	31.25	34.11
1730	23.42	48.50	51.47
1800	27.18	48.22	51.08
1830	33.17	41.97	43.60
1900	30.85	26.41	27.89
1930	22.11	25.70	27.12
2000	20.87	25.35	26.74
2030	20.57	24.92	26.30
2100	20.55	24.18	25.55
2130	20.03	23.08	24.48
2200	18.91	23.08	24.48
2230	18.86	23.08	24.46
2300	16.75	18.00	18.00
2330	16.65	17.01	17.91
2400	16.65	17.91	17.91

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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LEGAL NOTICES

THE INSOLVENCY ACT 1986

TOWER ACCEPTANCES LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at The New Barbican Hotel, Central Street, Clerkenwell, London EC1V 8DS on 28 February 1994 at 10.30 am for the purposes mentioned in Section 99 and 100 of the said Act.

Creditors wishing to vote at the meeting must lodge a proxy, together with a statement of their debt, at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU not later than 1200 hours noon on 25 February 1994.

A list of the names and addresses of the company's creditors will be available for inspection, free of charge, at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU on 24 and 25 February 1994 between the hours of 1000 and 1600 hours.

Dated this 14th day of February 1994

F. ETRINGTON
Director

CONTRACTS & TENDERS

SELECT LIST OF CONTRACTORS FOR SUPPLY OF AN OPERATIONAL LEASE FOR THREE REFUSE FREIGHTERS

Applications are invited from suitably experienced financial institutions who wish to be included on the Council's Select List for the supply of an operating lease for three refuse freighters.

Interested Contractors should notify the Council in writing to:-

Acting Head of Leisure and the Environment, Bassetlaw District Council, Carlton Forest House, Hundred Acre Lane, Carlton Forest, Worksop, Notts., S81 0TS.

All applicants will be supplied with a questionnaire to be returned by the 7th March, 1994.

BASSETLAW
DISTRICT COUNCIL
NORTH NOTTINGHAMSHIRE

LEGAL NOTICES

In the High Court of Justice
Chancery Division — No 0010850 of 1993

IN THE MATTER OF
NU-SWIFT PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 2nd February 1994 presented to Her Majesty's High Court of Justice for the sanctioning of a Scheme of Arrangement and the confirmation of the reduction of the capital of the above-named Company in accordance with the provisions of the said Scheme of Arrangement.

AND NOTICE IS FURTHER GIVEN that the said Petition and Scheme of Arrangement are directed to be heard before Mr Registrar Buckley at The Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 2nd day of March 1994.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

DATED this 15th day of February 1994

BERWIN LEIGHTON
Adelaide House
London Bridge
London EC4R 9HA
Ref: IL/AGDN
Solicitors for the above-named Company

WORLD BOND MARKETS: This Week

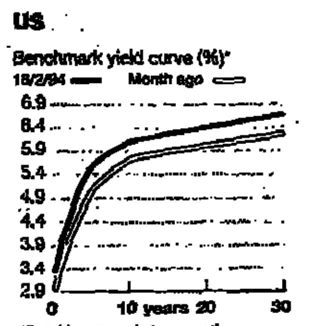
NEW YORK
Patrick Harverson

Although the US bond market is closed today for the Presidents' Day holiday, the calendar is busy enough in the rest of the week to provide fixed-income investors with something new to digest.

Tomorrow, Mr Alan Greenspan, the Federal Reserve chairman, gives the biannual Humphrey Hawkins address to Congress, where he is expected to provide more details of the thinking behind the February 4 increase in US interest rates, which has so disturbed bond market sentiment over the past fortnight. Any hint from Mr Greenspan that he is close to tightening policy again would be likely to upset the already rattled market.

Also tomorrow, the Conference Board releases its latest survey of consumer confidence, and analysts are expecting little change in the reading. On Thursday, the January durable goods orders report is released, and continued strength in the numbers is expected. A day later the latest monthly existing home sales figures are published.

Finally, this week's Treasury auctions could cause a few problems, given the current weakness in market sentiment. On Wednesday, $17bn of two-year notes will be sold, followed by $11bn of five-year notes on Thursday. If prices continue to fall, the auctions could prove a crucial test of the market's mood.



*All yields are market convention
Source: Merrill Lynch

LONDON
Philip Coggan

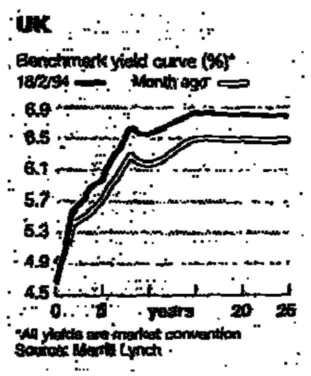
The gilts market faces a difficult few days, after the sell-off in world bond markets last week. US investors were reported to be heavy sellers of European bonds.

Mr Simon Briscoe, UK economist at S.G. Warburg Securities, described the market as "truly unbelievable" in the wake of a series of economic statistics which should have been favourable for gilts.

"A week ago, if someone had said we will give you 10 statistics which point to a weak economy and low price pressures, and a German rate cut, I would have said gilts would be up three points. In fact they were down two. The market has lost track with fundamentals," Mr Briscoe believes.

With US Treasuries performing badly on a Philadelphia Fed report of an upturn in inflationary pressures, Mr Nigel Richardson, head of bond research at Yamaichi International (Europe), said: "UK investors are looking to the US as a guide to the outlook in the UK".

All this is a bad omen for the next auction, of £2.5bn of 7 per cent gilt stock, due on Wednesday. Mr Richardson said there is a chance that gilts fell sufficiently last week to make the new stock attractive, with the spread over German bunds now 87 basis points. But Mr Briscoe warned it could be a make or break auction.



*All yields are market convention
Source: Merrill Lynch

FRANKFURT
David Waller

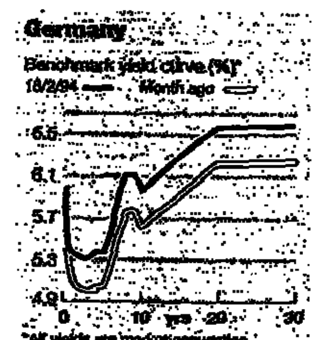
Last week's half-point cut in the discount rate took the markets by surprise but did nothing to satisfy bund market investors.

There was disappointment that the cut to 5.25 per cent did not go hand in hand with a reduction in the all-important securities repurchase or "repo" rate, which was fixed for this week at 6 per cent – where it has been for the past two months.

It is difficult to see what can provide the impetus for a change in sentiment. Good data on January M3 – which may be published this week – will not change the fact that the easing move last week was less substantial than the markets wanted.

Developments in the US government securities market will also be watched carefully: further anxiety about rate rises in North America is likely to spill over into the German market, where the average current yield was 5.78 per cent on Friday and the yield of many 10-year issues was back over the 6 per cent mark.

There is a danger that the Bundesbank reduced the discount rate merely to put the proper margin between it and the repo rate. Mr Paul Brunker of Robert Fleming in London thinks the Bundesbank wants to see how the currency holds up in the wake of rate cuts. But, he warns, nerves will be stretched if there is no signal of further easing in the next two weeks.



*All yields are market convention
Source: Merrill Lynch

TOKYO
Emiko Terazono

While the sluggishness of the Japanese economy remains unchanged, Japanese government bond prices may lose ground on supply and demand factors.

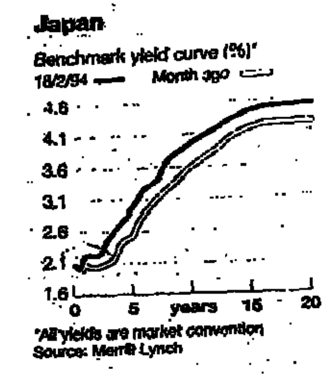
Profit-taking ahead of the March book-closing by life assurers and banks is expected to accelerate, depressing long bond prices.

The Japan Securities Dealers' Association, says trust banks became net sellers of government and corporate bonds in January for the first time in a year, selling a net Y368.5bn. City, or commercial, banks were net sellers for the fourth consecutive month, while long-term credit banks were net sellers for the third straight month.

An increase in supply of medium-term corporate bonds is also adding to the lack of appetite for government bonds among institutional investors, while hedge selling on the futures market by underwriters has been weighing on the market.

Traders are also cautious ahead of an increase in issuance of municipal bonds over the coming months.

However, the Bank of Japan is increasingly wary of a further rise in medium and long-term interest rates while the slump in business confidence continues. Some traders hope that the central bank will allow short-term money rates, which are already at record lows, to ease further, thus supporting bond prices.



*All yields are market convention
Source: Merrill Lynch

Capital & Credit / Sara Webb

Europe unwilling to decouple from US

Europe's government bond markets are in the most extraordinary state of turmoil, ruled more – it would seem – by gut feelings than by anything resembling cool, calm economic analysis.

Last Thursday, the Bundesbank surprised the world financial markets with a half-point cut in the German discount rate, lowering it from 5.75 per cent to 5.25 per cent.

The European bond markets, which have a tendency to hang on to every word, twitch of the eyebrow or other signal from the Bundesbank, have been obsessed with the question of "will they, won't they cut rates?" for weeks.

And no sooner had the Bundesbank cut its discount rate, than nearly every other European central bank was free to follow suit.

Belgium, Austria, Italy, and the Netherlands announced their moves on Thursday, while Spain, Switzerland, Denmark and Sweden waited until Friday, leaving France as the obstinate "odd man out".

The Bank of France could well move as early as this week given the French franc/D-Mark exchange rate, or else could wait until Germany lowers its repo rate.

However, while the European bond markets rejoiced at first in the long-awaited news of a German easing, there was a pretty smart turnround by late Thursday afternoon, followed by a sharp fall in European government bond prices on Friday afternoon.

What on earth was going on, most people wondered as they watched gilts, bunds, OATs and a host of other European bonds tumble in largely futures-driven trading.

For a start, world bond markets have clearly been rattled by the revival of concern about inflation in the US and the decision by the US Federal Reserve to raise short-term interest rates on February 4.

Of course, bond markets hate the thought of rising inflation: the fact that the Fed's move was intended to be a pre-emptive strike – rather than a strong dose of medicine to cure an existing ill – was largely ignored.

The fact that the Bank of England snipped a quarter point off the base lending rate, taking it down to 5.25 per cent, only a few days later on February 8 should have reminded the markets that interest rates on this side of the Atlantic are still following a downward path.

In addition, of course, the Bundesbank's decision to cut its discount rate last Thursday, sparking off a round of similar easings in Europe, again should have confirmed that the future direction for European interest rates is down, rather than up.

However, the markets still remain jittery and almost determined to focus on the very worst news on the inflation front.

Witness what happened in the US last Thursday: the announcement that US consumer prices last month were unchanged on the previous month and ahead by only 2.5 per cent in the year to January should have been good for US Treasury bonds.

Instead, the Treasury market chose to concentrate on a report on regional economic conditions by the Federal Reserve Bank of Philadelphia, which showed a sharp rise in the bank's index of manufactured goods prices.

The US inflation worries have clearly spooked the European markets. On top of this, though, rumours of substantial trading losses by certain proprietary trading desks and reports of extremely heavy selling by US hedge funds have swept the European bond markets.

"The market psychology right now is very very negative," said one European bond dealer.

Some dealers point out that the very volatile market conditions have made trading difficult.

"It's been so choppy, some days you lose a lot but then other days you can make it all back up again," said one dealer at a US bond house.

But while traders are, not surprisingly, loath to discuss how much money they have lost, they confirm that much of the selling pressure has come out of the US, particularly from US hedge funds.

These are private pools of funds which are managed very aggressively: they are highly leveraged and were one of the driving forces behind the surge in European government bond prices last year.

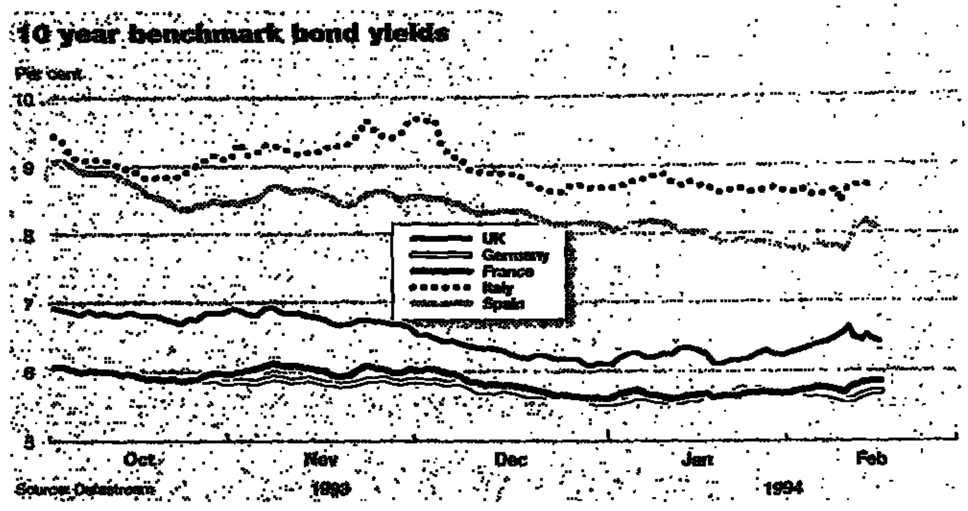
"It's been a frightening experience to see such a massive liquidation of bonds," said one analyst last week.

"There's been a tide of selling, and people have got stuck with positions they don't want to be in, and have had to offload. Nor is it possible to say with any conviction that the selling has come to an end."

The problem, points out Mr George Magnus, international economist at S. G. Warburg Securities, is that a sensible valuation or economic analysis of the European bond markets simply does not enter into the picture at all.

"Even if you point out that European yields will fall back to the levels where they were at the end of 1993, the words just fall on deaf ears," he says.

For the moment, at least, the European bond markets appear unwilling to decouple from the moves in the US.



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.00	1.75	5.25	7.00[1]	8.00	5.25[2]
Overnight	3.13	2.25	6.06	6.25	8.00	4.50
Three month	3.35	2.18	5.88	6.09	8.12	5.00
One year	3.91	2.12	5.25	5.62	7.75	5.06
Five year	5.53	2.98	5.34	5.53	8.66	6.03
Ten year	6.08	3.52	5.94	6.02	8.78	6.57

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	113-16	112-21	-0-28	113-27	112-07	696,592	299,092
Mar	112-16	111-20	-0-28	112-24	111-05	26,827	42,852
Jun	111-19	110-23	-0-28	111-27	110-11	874	33,519
Sep							

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
[illegible]							

Other Fixed Interest

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
[illegible]							

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

International / Antonia Sharpe

Moves to develop 'structured' bonds

Mr Kenneth Lay, the director of financial operations at the World Bank, just cannot sit still. Now that his efforts to develop a truly international capital market through his global bond concept have paid off, he is using his formidable energy and influence to improve the secondary market liquidity in derivative-linked or "structured" bonds.

An increasing number of borrowers are issuing structured bonds because the derivative element embedded in the bonds enables them to achieve a cheaper cost of funds than if they launched a straightforward Eurobond or global bond offering. Structured bonds are equally popular with investors who want to back their views about the direction of anything from interest rates to an individual company's share price.

But since these transactions are frequently driven by fleeting arbitrage opportunities and tailored to specific investors, they tend to be relatively small in relation to Eurobond or global bond market offerings. Syndicate managers say the average size of structured bond offerings is about $100m.

As a result, investors often run into difficulty when they come to sell the bonds. Main complaints are the lack of price transparency and liquidity in the secondary market, which means holders often receive less than the inherent value of the bonds.

World Bank officials have discussed with about 200 investors how to reduce the deficiencies in the structured bond market. They believe the innovative facilities of the World Bank's imminent $5bn global multi-currency note programme should help to address these concerns. The programme offers the following advantages:

- Price transparency: the seven sponsoring dealers will regularly publish indicative bid prices for World Bank structured bonds issued under the programme on dedicated screens distributed by widely available services. The World Bank expects that competitive pressures among dealers will lead them to improve secondary market prices.
- Secondary market liquidity: by offering to exchange outstanding structured notes for new floating-rate or structured notes, the World Bank hopes to be more supportive of sponsoring dealers' secondary market activities than other issuers.
- Issuance, trading and custody: global documentation (bonds issued under the programme may be governed by New York, English or German law) will allow for timely and streamlined issuance of structured bonds in a wide range of markets, currencies and maturities. The programme also provides for a choice of clearing systems and cross-market clearing and settlement in major markets.

Mr Bim Hundal, head of medium-term note (MTN) programmes at Goldman Sachs, one of the sponsoring dealers of the World Bank's programme, says the World Bank's decision to formalise the role of dealers is an important step in the development of the structured bond market.

The increased competition and the knowledge that the World Bank is measuring their performance should encourage dealers to make realistic prices in the bonds. The increased price transparency will benefit investors whenever they value their holdings either for regulatory or trading purposes.

The World Bank hopes its measures will widen the investor appeal of structured bonds since it plans to raise at least $2bn of its annual borrowing programme of between $10bn and $12bn through structured products. These products will be linked only to interest rates and exchange rates.

Although structured bonds tend to have relatively short maturities – the result of investor worries about the lack of liquidity – the World Bank hopes its liquidity facility will enable it to achieve maturities of between four and 10 years.

The global platform built into the World Bank's programme is likely to be imitated by other issuers who want to have one MTN programme which allows them access to all the world's major markets.

The volume of MTN programmes has grown rapidly over the past few years as issuers seek to lower their documentation costs and cut the time involved in launching a bond offering.

Mr Juan Costain, head of capital markets at Kidder Peabody, another sponsoring dealer of the World Bank's programme, estimates that the volume of MTNs grew by 2¼ times last year to $127bn. Of this, about $60bn was in structured bonds and this year the volume could reach $75bn.

According to Mr Costain, the documentation costs for a Euro-MTN programme, under which an issuer can make numerous Eurobond offerings, are about $100,000, the same as for an individual Eurobond offering. Although the documentation cost of a global programme is closer to $300,000, the issuer is likely to achieve even lower costs of funding because of the immediate access to a far wider range of markets and currencies.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Bangkok Bank	400	Mar.2004	3.25	100.00	-	-	Morgan Stanley Intl.
Mazda Corp.	200	Mar.1998	1.25	100.00	-	-	Daiwa Europe
[illegible]							
Soc. Gén. Acceptance	300	Mar.1995	zero	100.00	-	-	Société Générale
CANADIAN DOLLARS							
[illegible]							

EQUITY MARKETS: This Week

NEW YORK

Frank McGurty

Investors scan the horizon for clouds

Wall Street is taking a well-deserved rest today to mark Presidents' Day, but many investors will no doubt take a moment out during the holiday to reflect on the stormy events of last week.

When investors and brokers return to their trading screens tomorrow, few will have any doubts that the market is now in a period of transition. Amid the uncertainty which that has engendered, analysts see a further weakening of share prices over the next week or two.

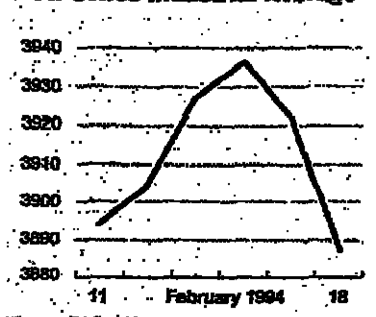
Mr Joseph McAlinden, director of research at Dillon Read in New York, sees a general downward bias over the next month or two, although stocks could well trade a little higher this week. "But any gains should be viewed in the context of a correction," he cautions.

The turning point for the financial markets came a fortnight ago, when the Federal Reserve decided to tighten monetary policy for the first time in five years. But the true implications of the move were only driven home last Thursday and Friday, when the underlying optimism which had driven the financial markets forward seemed to have finally broken.

During both sessions, investors appeared to be in mourning the bygone days when interest rates would only go down. In the bond market, holders of the inflation-sensitive 30-year issue were unconsoled by data showing no increase in consumer prices last month. Instead, they drove yields over 6.60 per cent for the first time since July, on the strength of a second-tier report showing some Philadelphia manufacturers had paid higher prices for materials.

By force of habit, stocks followed

Dow Jones Industrial Average



Source: FT Graphite

Treasury prices lower, just as they have followed them up over the life of the three-year bull market.

"The Fed has bruised the market, there is no doubt about that," says Mr Don Hays, market strategist at Wheat First Butcher & Singer in Norfolk, Virginia. "It is now in a healing period, and [last week] was a classic illustration of that." Instead of searching for silver linings, he argues, investors are scanning the horizon for clouds.

One of the clouds in investors' sights last week will arrive today. Mr Alan Greenspan, the Fed chairman, is scheduled to present his twice-yearly Humphrey Hawkins testimony on monetary policy to a congressional committee. Analysts fear that no matter what Mr Greenspan says, the market will find good cause to trade down.

Will stocks necessarily follow? Only so far, say analysts. Looking back at the Philadelphia manufacturing data, Mr McAlinden finds reason for guarded optimism. He points out that higher prices may indeed bring even higher interest rates, but the trend also suggests improved corporate earnings in some sectors. In that regard, he sees no fundamental change in a dynamic that has powered the market since the autumn.

"The two forces are involved in a tug of war," he says. For a few weeks, anyway, the interest-rate bears are likely to be dominant.

LONDON

Steve Thompson

Big sell-off in bonds casts a shadow

The UK stock market kicks off the second leg of the two-week trading account this morning under considerable threat from the big sell-off across international bond markets late last Friday.

Share prices look almost certain to be marked down sharply at the outset of dealings, in what could be a re-run of the pattern of trading over the past two Mondays. The volatility was prompted by the US Federal Reserve's decision to tighten monetary policy. Two weeks ago, a fall in the the Dow Jones Average was matched almost point-for-point when London opened the following Monday, before recouping around half its opening fall.

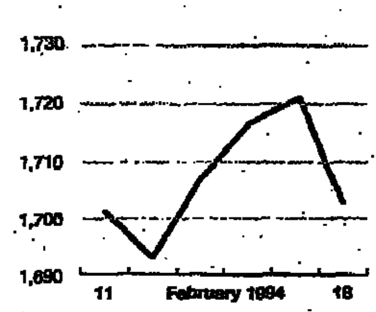
The immediate focus of attention will be the gilts market and European bonds to see if there is any substantial follow-through selling. The closure of Wall Street for a US holiday could provide an element of stability in London. Another crucial pointer for international markets, with the obvious implications for London, comes tomorrow when Mr Alan Greenspan, chairman of the Federal Reserve, addresses the US Congress.

The 3,350 level on the FT-SE is viewed by market-makers and some chartists as a strong rallying point and any decisive move below that level could be the trigger for more big selling of leading stocks.

In spite of the wild swings in the equity market there is still no shortage of optimists. In a reference to the recent spate of UK economic data NatWest Securities says: "The prospect of a further cut in UK base-rates is back on the agenda." NatWest remains happy with its year-end FT-SE 100 forecast of 3,900.

Salomon Brothers, the US securities

FT-SE-A All-Share Index



Source: FT Graphite

house, is even more bullish, forecasting a year-end FT-SE 100 number of 3,950. Salomon makes the point that since 1980 the UK stock market has rallied in every year after the first Fed tightening, by between 14 per cent and 38 per cent.

The broker says that in spite of rising US rates (it expects the Fed to tighten to 3¾–4 per cent by mid-year), it expects further rate cuts in Europe, underpinning equities.

However, the equity market does face another searching examination of the currently popular theory of strong earnings recovery, as no less than 10 of the FT-SE 100 constituents unveil preliminary figures this week.

If the reporting season to date is anything to go by, the market could be pleasantly surprised, although some broking houses, such as Nikko Securities, believe the risk is on the downside. Nikko says: "Further downgradings of earnings estimates are likely as adjustments are made for growth prospects in a low inflation environment".

Three of the UK's big composite insurance groups, Guardian Royal Exchange, Commercial Union and Royal Insurance, and the UK's biggest insurance broker, Sedgwick, report during the week. While analysts will obviously focus on the expected strong recovery in profitability, the good numbers may also revive takeover speculation in the sector, which has underperformed the wider market in recent months.

INDICES AT A GLANCE

	Closing price	Percentage Change: Over a week	Percentage Change: On 12 months	Percentage Change: Since Jan 1	12 month High		12 month Low		1994 High		1994 Low	
FT-SE 100	3,382.60	-1.1	+19.2	-1.0	3,520.30	2/2/94	2,786.30	6/5/93	3,520.30	2/2/94	3,360.00	13/1/94
Dow Jones Ind.	3,887.46	-0.2	+17.7	+3.6	3,978.36	31/1/94	3,302.91	18/2/93	3,978.36	31/1/94	3,756.60	3/1/94
Nikkei	18,959.60	-5.2	+11.6	+8.8	21,148.11	13/9/93	16,078.71	29/11/93	20,416.34	1/2/94	17,369.74	4/1/94
Dax	2,151.97	+2.9	+28.7	-5.1	2,267.98	3/1/94	1,603.04	24/5/93	2,267.98	3/1/94	2,075.61	21/1/94
CAC 40	2,251.78	-1.0	+16.9	-0.7	2,355.93	2/2/94	1,835.72	17/5/93	2,355.93	2/2/94	2,234.78	17/1/94
Banca Com. Ital.	689.03	+1.2	+96.0	+11.2	689.03	18/2/94	475.01	31/3/93	689.03	11/2/94	588.85	10/1/94

FT Graphite

OTHER MARKETS

TOKYO

While upward pressure on the yen seems to have subsided, stock market traders will continue to focus on the currency market and developments over US-Japan trade negotiations. The Nikkei index is likely to fluctuate on low volume, but may face selling by corporations realising profits ahead of the March book closing to supplement weak operating profits.

FRANKFURT

After last week's discount rate cut, the pending M3 money supply growth figures for January may come as an anticlimax, but there is the possibility that the Bundesbank will turn its attention to the 6 per cent repo rate when a DM72.2bn repurchase agreement expires on Wednesday. On Monday, IG Metall engineering workers' union officials may have to decide whether to call a strike ballot after the failure of pay talks.

AMSTERDAM

The big internationals feature, with Unilever's preliminary figures due on Tuesday and the Royal Dutch/Shell group's full-year 1993 figures on Thursday. Hoare Govett looks for a 4.5 per cent rise in net profits from the consumer products giant, saying sterling's continued weakness through 1993 acts as a constraint on the guilder dividend; it projects a slight decrease in earnings per share, but a marginally higher dividend from Royal Dutch.

OSLO

Weak oil prices and aluminium industry politics have not stopped Norsk Hydro's upward share price career. Monday's 1993 results should produce earnings up from NKr8.60 to NKr15.60 a share, says NatWest Securities.

COPENHAGEN

Bracketed by other major bank results – AIB in Dublin, Svenska Handelbanken in Stockholm and UBS in Zurich – Den Danske is due with its 1993 figures on Thursday. Markedly higher profits are expected: The Estimate Directory offers a consensus EPS forecast of DKr47.0, up from DKr30 in 1992.

ZURICH

Alusuisse 1993 results are expected on Friday. The group has indicated a sharp cut in 1993 net profits, due to weak economic conditions and poor aluminium prices, as well as the additional costs of closing capacity in aluminium production.

RISK AND REWARD

Money managers take a fresh look at commodities

In the US, the apparent swing into the second stage of a business cycle recovery has drawn big money's attention back to commodities. After years of underperforming fixed-income investments, commodities – particularly metals like copper and aluminium – outperformed bonds in the first month of this year.

Although low oil prices have kept inflation concerns at bay, money managers still reason that owning physical assets will pay off with big returns when a surge in demand breathes life back into basic industries that are commodity consumers.

Mutual fund managers and other money managers have piled into commodity proxies – mostly shares of companies that are commodities processors – pumping up prices to unrealistic levels.

Newmont Gold, a US mining company, is priced at almost 50 times current earnings, while the US's largest aluminium companies, which posted large losses in 1993, are trading at 100 times projected earnings two or three years into the future.

What has happened, analysts say, is that the total market capitalisation of commodity-linked equities is too small for the purposes of mutual funds, which have an estimated $2,000bn in assets to invest. US pension funds, also interested in commodities, weigh in with another $2,000bn in assets.

Direct investment in commodities would seem a logical alternative, but most mutual funds and many pension funds and insurance companies are prevented by charter or their investment boards from owning physical commodities or commodity futures.

Derivatives dealers have moved in to ease the strain, offering structured notes with values tied to the price movement of an underlying commodity, but which fit the definition of a fixed-income investment.

Swaps based on commodity price relationships are also being sold to fund managers. These deals could gradually inflate prices in the physical markets, traders say, again because the money to be invested is vast compared to overall market size.

Wall Street's pin-striped fund managers have been tiptoeing into fixed-income instruments linked to corn prices, because the unusually low feedgrain supplies in the US this year have boosted prices; into structured oil deals, because oil prices are at historically low levels; and into base metals, where prices occasionally sank below production costs last year when Russian supplies glutted markets.

Last month, a California-based insurance fund with $14bn in fixed-income assets ventured into the oil swaps market for the first time in a trade based on expectations that the upwardly-sloping forward oil price curve will invert to a more traditional backwardation (whereby the spot price is above the deferred delivery date) during the next 18 months, with spot prices moving above the two-year forward price.

Merrill Lynch persuaded Pacific Mutual Life Insurance to invest about $15m in the 1m barrel trade as a means of diversifying assets. Pacific Mutual will profit if the spread returns to a pre-defined level. If the spread does not move out of contango (whereby the spot price is below the deferred delivery price), Merrill Lynch will profit from the trade.

The trade was an unusual one for an insurance fund, but could herald a trend. Banks and broker-dealers are actively adding commodity-derivatives expertise to their trading and sales rosters, viewing commodities as a lucrative expansion opportunity as growth in foreign exchange and interest rate derivatives businesses level out.

Laurie Morse

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 18 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Feb 18 / Frs.)

[illegible]

DENMARK (Feb 18 / Kr)

[illegible]

FINLAND (Feb 18 / Mks)

[illegible]

FRANCE (Feb 18 / Frs.)

[illegible]

GERMANY (Feb 18 / Dm.)

[illegible]

ITALY (Feb 18 / Lira)

[illegible]

NETHERLANDS (Feb 18 / Fls.)

[illegible]

NORWAY (Feb 18 / Kroner)

[illegible]

SPAIN (Feb 18 / Pts.)

[illegible]

SWEDEN (Feb 18 / Kronor)

[illegible]

SWITZERLAND (Feb 18 / Frs.)

[illegible]

PACIFIC

JAPAN (Feb 18 / Yen)

[illegible]

AUSTRALIA (Feb 18 / Aus$)

[illegible]

HONG KONG (Feb 18 / H.K.$)

[illegible]

MALAYSIA (Feb 18 / MYR)

[illegible]

SINGAPORE (Feb 18 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Feb 18 / Can $) 4 pm close

[illegible]

MONTREAL (Feb 18 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Feb 18 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, February 18, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nitsuko	7.1m	1,340	+60	Sumitomo Elec	2.9m	1,530	+10
NKK	3.8m	241	-1	Yahagi Iron	2.7m	192	+17
Kawasaki Steel	3.5m	335		Pioneer Elec	2.6m	2,580	-220
Nippon Steel	3.1m	339	+8	Toshiba	2.6m	718	-6
Gunma Bank	3.1m	1,050	-10	Sumitomo Mtl Ind	2.6m	282	+3

INDICES

	Feb 18	Feb 17	Feb 16	1993/4 High		1993/4 Low	
Argentina							
General (29/12/77)	23956.39	24887.2	25470.4	25470.40	16/2/94	12167.88	8/3/93
Australia							
All Ordinaries(1/1/80)	2223.2	2240.9	2249.0	2340.60	3/2/94	1495.00	13/1/93
All Mining(1/1/80)	1043.6	1063.2	1061.4	1136.10	3/2/94	684.78	13/1/93
Austria							
Credit Aktien(30/12/84)	450.75	451.61†	453.32	480.68	2/2/94	300.28	14/1/93
Traded Index(2/1/91)	1172.35	1177.04	1184.11	1222.25	1/2/94	712.08	15/1/93
Belgium							
BEL20 (1/1/91)	1526.19	1526.48	1522.88	1542.85	9/2/94	1125.46	4/1/93
Brazil							
Bovespa (29/12/83)	9449.0	10409.0	(c)	10409.00	17/2/94	71.47	4/1/93
Canada							
Metals Minls♦(1975)	3596.51	3636.37	3652.85	3824.93	1/2/94	2743.31	21/1/93
Composite♦ (1975)	4378.40	4407.30	4424.10	4581.30	1/2/94	3275.80	21/1/93
Portfolio§§ (4/1/83)	2067.07	2079.50	2084.13	2182.88	1/2/94	1720.97	21/1/93
Chile							
IPGA Gen (31/12/80)	4712.2	4754.5	4674.4	4867.80	4/2/94	2612.59	10/5/93
Denmark							
CopenhagenSE(3/1/83)	408.83	405.70	405.93	415.79	2/2/94	261.90	4/1/93
Finland							
HEX General(28/12/90)	1928.0	1942.5	1933.9	1972.80	4/2/94	843.10	22/1/93
France							
SBF 250 (31/12/90)	1520.36	1534.26	1527.44	1586.20	2/2/94	1114.19	28/1/93
CAC 40(31/12/87)	2251.78	2281.18	2264.32	2355.93	2/2/94	1772.21	29/1/93
Germany							
FAZ Aktien(31/12/58)	822.86	819.31	818.15	856.87	4/1/94	588.92	14/1/93
Commerzbank(1/12/53)	2350.0	2339.4	2338.2	2469.80	4/1/94	1694.30	14/1/93
DAX (30/12/87)‡	2151.97	2128.72	2138.61	2287.98	3/1/94	1516.50	13/1/93
Greece							
Athens SE(31/12/80)	1057.35	1030.41	1031.35	1194.58	18/1/94	987.72	5/1/93
Hong Kong							
Hang Seng(31/7/64)	10825.88	10766.58	10634.14	12201.09	4/1/94	5437.80	4/1/93
India							
BSE Sens.(1979)	3915.0	3887.3	3807.4	4162.00	8/2/94	2100.67	23/4/93
Indonesia							
Jakarta Comp.(10/8/82)	554.78	564.69	574.82	612.80	5/1/94	273.31	5/1/93
Ireland							
ISEQ Overall(4/1/88)	1989.88	2000.58	1994.08	2082.16	20/1/94	1191.19	11/1/93
Italy							
Banca Comm Ital (1972)	689.03	686.79	668.32	689.03	18/2/94	446.33	8/1/93
MIB General (4/1/94)	1102.0	1092.0	1071.0	1102.00	18/2/94	944.00	10/1/94
Japan							
Nikkei 225 (16/5/49)	18859.60	18931.39	19052.11	21148.11	13/9/93	16078.71	29/11/93
Nikkei 300 (1/10/82)	287.96	286.42	287.65	308.84	10/11/93	248.84	29/11/93
Topix (4/1/68)	1557.11	1553.55	1556.10	1698.67	3/9/93	1250.06	25/1/93
2nd Section (4/1/68)	2115.0	2112.90†	2119.77	2384.97	7/6/93	1651.72	26/1/93
Malaysia							
KLSE Comp.(4/4/86)	1088.73	1072.14	1081.13	1314.46	5/1/94	614.28	13/1/93
Mexico							
IPC (Nov 1978)	2709.22	2775.52	2780.23	2881.17	8/2/94	1504.15	25/2/93
Netherland							
CBS TtlRtnGen(End 83)	444.8	450.8	448.6	464.80	31/1/94	295.70	4/1/93
CBS All Shr (End 83)	288.3	292.0	290.7	294.80	31/1/94	198.60	13/1/93
New Zealand							
Cap. 40 (1/7/86)	2284.15	2324.91	2311.92	2430.84	3/2/94	1495.37	21/1/93
Norway							
Oslo SE(Ind)(2/1/83)	1189.53	1193.30	1186.18	1284.17	4/2/94	669.93	27/1/93
Philippines							
Manila Comp (2/1/85)	3051.71	3036.74	3034.97	3308.37	4/1/94	1270.88	4/1/93
Portugal							
BTA (1977)	3226.6	3215.8	3171.7	3226.60	18/2/94	1608.20	14/1/93
Singapore							
SES All-S'pore(2/4/75)	599.12	598.47	600.08	641.81	4/1/94	384.10	13/1/93
South Africa							
JSE Gold (29/9/78)	1902.0▼	1981.0	1874.0	2331.00	4/1/94	775.00	5/1/93
JSE Ind. (28/9/78)	5695.0▼	5675.0	5591.0	5822.00	4/2/94	4333.00	19/4/93
South Korea							
KoreaCompEx(4/1/80)**	925.39	920.38	920.43	974.26	2/2/94	605.93	6/3/93
Spain							
Madrid SE (30/12/85)	345.46	347.98	346.07	358.31	31/1/94	215.80	4/1/93
Sweden							
AffarsvardsGen (1/2/37)	1582.4	1589.0	1557.60	1603.90	31/1/94	878.10	28/1/93
Switzerland							
Swiss Bk Ind (31/12/58)	1360.60	1374.85	1361.83	1423.34	31/1/94	904.80	11/1/93
SBC General (1/4/87)	1048.24	1060.51	1048.77	1093.29	31/1/94	678.70	11/1/93
Taiwan							
WeightedPr.(30/6/66)**	5845.47	5905.49	5862.63	6454.52	6/1/94	3098.43	9/1/93
Thailand							
Bangkok SET (30/4/75)	1458.08	1445.20	1429.11	1753.73	4/1/94	818.84	1/6/93
Turkey							
Istanbul Cmp.(Jan 1986)	19274.6	19131.0	17681.3	20883.80	13/1/94	3985.63	1/1/93
WORLD							
MS Capital Int (1/1/70)$	623.7*	623.9	625.9	641.00	1/2/94	489.80	13/1/93
CROSS-BORDER							
Eurotrack 100(26/10/90)	1495.00	1516.65	1491.80	1548.19	31/1/94	1063.02	13/1/93
Euro Top-100 (26/6/90)	1275.69	1287.04	1273.23	1311.01	2/2/94	882.73	13/1/93
JCapelDrgns (31/12/88)	(u)	347.46	344.37	395.19	5/1/94	188.92	4/1/93
Barings Emerg.(7/1/92)	181.80	181.67	182.29	182.72	14/2/94	98.81	4/2/93

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	2284.0	2259.0	-33.0	2292.0	2258.0	19,413	16,246
Mar	2297.0	2269.5	-32.5	2302.5	2269.0	2,382	49,254
Apr	-	2280.5	-33.0	-	-	-	950

Open interest figures for previous day.

** Sat Feb 12: Taiwan Weighted Price (c) ; Korea Comp Ex 917.15. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 18 - 2133.65 -26.44.

US INDICES

Dow Jones	Feb 18	Feb 17	Feb 16	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3887.46	3922.64	3937.27	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	104.58	104.81	104.91	109.77 (18/10/93)	103.48 (11/1/93)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1795.42	1798.51	1801.80	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	208.54	212.10	212.78	256.46 (31/8/93)	206.54 (18/2/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3931.92 (3975.82) Low 3869.73 (3904.21) (Theoretical♦)
Day's high 3923.20 (3957.81) Low 3880.45 (3906.90) (Actual♦)

Standard and Poors	Feb 18	Feb 17	Feb 16	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	467.69	470.34	472.79	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¶	548.53	551.25	553.69	550.59 (2/2/94)	498.48 (26/4/93)	550.59 (2/2/94)	3.62 (21/6/32)
Financial	43.94	44.23	44.53	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	259.67	261.38	262.55	267.71 (2/2/94)	236.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	470.95	474.46	475.32	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	788.85	790.24	792.82	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Feb 11	Feb 4	Jan 28	Year ago
Dow Jones Ind. Div. Yield	2.68	2.62	2.57	3.00
	Feb 16	Feb 9	Feb 2	Year ago
S & P Ind. Div. yield	2.34	2.36	2.32	2.56
S & P Ind. P/E ratio	26.18	28.07	28.51	25.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar	470.10	468.15	-2.25	471.50	465.30	51,298	180,705
Jun	472.50	469.45	-2.25	472.70	466.40	3,181	8,907
Sep	472.10	471.20	-2.20	474.35	468.50	119	1,214

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	5,002,900	71⅛	-2⅛
Paramount	3,469,100	75	-1⅛
Merck	3,209,100	32⅝	-⅛
Wal-Mart	3,129,900	27⅛	—
K Mart	2,806,400	19⅛	-⅛
IBM	2,678,100	52⅛	-⅛
Gen Motors	2,642,900	59⅛	-⅛
GTE	2,545,900	31⅛	-⅝
Am Barrick	2,530,900	25	-½
Chrysler	2,526,900	58	-⅝

■ TRADING ACTIVITY

● Volume (million)

	Feb 18	Feb 17	Feb 16
New York SE	289.302	338.879	295.390
Amex	17.120	19.197	19.371
NASDAQ	(u)	354.812	338.501
NYSE			
Issues Traded	2,738	2,761	2,791
Rises	701	878	1,187
Falls	1,418	1,263	941
Unchanged	620	620	623
New Highs	45	109	103
New Lows	95	51	41

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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TSB Unit Trusts (1200)F
Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

	Init Chge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
TSB American	6	228.43	228.43	243.01	-	41457
Do Accum	6	251.80	251.80	267.88	-	41458
TSB Brit Growth	6	100.78	100.78	107.19	1.89	41459
Do Accum	6	118.32	118.32	125.93	1.50	41460
TSB European	6	114.70	114.70	122.07	0.18	41461
Do Accum	6	121.80	121.80	129.60	0.18	41462
TSB Extra Income	6	218.88	218.18	233.18	3.48	41463
Do Accum	6	358.42	363.80	387.13	3.48	41464
TSB Smaller Cos	6	80.95	83.10	88.41	0.69	41465
Do Accum	6	89.98	92.38	98.29	0.69	41466
TSB General	6	307.22	311.78	331.85	1.87	41467
Do Accum	6	818.89	829.09	882.10	1.87	41468
TSB Premier Income	5	55.58	56.56	59.92	5.40	41469
Do Accum	5	120.60	122.72	127.84	5.40	41470
TSB Income	6	377.27	382.07	407.53	2.77	41471
Do Accum	6	798.69	811.38	863.07	2.77	41472
TSB Pacific	6	457.56	457.56	486.78	-	41473
Do Accum	6	480.81	480.81	511.50	-	41474
TSB International	6	584.87	584.87	621.88	-	41475
Do Accum	6	787.34	787.34	819.32	0.06	41476
TSB Nat Resources	6	178.75	178.75	190.16	0.09	41477
Do Accum	6	190.17	190.17	202.69	0.04	41478
TSB Sield Opps	6	119.50	121.57	129.33	0.78	41479
Do Accum	6	150.88	153.41	163.20	0.78	41480
Environmental Inv	6	67.78	67.78	72.11	1.34	48880
Do Accum	5	71.48	73.46	78.17	1.34	48881
TSB Selector	5	69.43	70.88	75.06	1.69	47881
Do Accum	6	77.15	78.43	83.44	1.69	47882
TSB High Income	6	70.95	71.74	76.32	4.07	44558
Do Accum	6	86.21	87.29	92.88	4.01	44559
TSB Mid Income	6	83.08	84.06	89.14	4.51	44560
Do Accum	6	74.97	75.53	80.35	4.51	44561
TSB Selector Income	6	67.38	68.13	72.48	4.59	44562
Do Accum	6	76.97	77.42	82.36	4.59	44563

T.U. Fund Managers Limited (1200)H
NLA Tower, Addiscombe Road, Croydon 081-686 4355

	Init Chge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
T.U. British	5	355.7	360.6	379.5	2.36	44548
T.U. European		54.95	55.27	57.87	2.00	45609

Templeton Unit Trust Managers Ltd (1200)F

OTHER UK UNIT TRUSTS

INSURANCES

AXA Equity & Law Life Assce
Amersham Road, High Wycombe 0494 463463

	Bid Price	Offer Price	Yield Gross	City-Line
UK Equities Ser 5	988.9	1038.8	-	42222
Higher Income Ser 5	1080.1	1124.3	-	42223
Property Ser 5	535.4	563.6	-	42224
Fixed Interest Ser 5	423.7	445.9	-	42225
Index Linked Secs Ser 5	185.7	195.4	-	42226
Gilt Deposit Ser 5	289.6	304.7	-	42227
Nth America Ser 5	435.5	458.4	-	42228
Far East Ser 5	880.0	926.9	-	42229
Europe Ser 5	375.8	395.2	-	42230
International Ser 5	573.2	603.9	-	42231
Balanced Ser 5	710.7	748.1	-	42232
Reserve Ser 5	149.2	157.0	-	42233
Opportunity Ser 5	165.4	174.1	-	47039
Distribution Ser 5	106.4	111.9	6.43	47040
Pens Equity Ser 3 (4)	1400.4	1474.1	-	47180
Pens Higher Inc S 3 (4)	338.4	356.2	-	42234
Pens Fixed Int S 3 (4)	570.1	600.1	-	42235
Pens Index-Linked Sec S 3 (4)	242.1	254.8	-	42236
Pens Property S 3 (4)	490.3	516.1	-	42237
Pens N America S 3 (4)	193.5	203.8	-	42238
Pens Far East S 3 (4)	341.8	359.7	-	42239
Pens Europe S 3 (4)	209.7	220.7	-	47240
Pens Overseas S 3 (4)	867.8	913.2	-	42241
Pens Balanced S 3 (4)	829.0	872.6	-	42242
Pens Cash S 3 (4)	421.3	443.5	-	42243
Pens DAF Series 3 (4)	235.8	247.5	-	42244
Pens DAF Series 1 (4)	467.4	491.9	-	42245
Pens Opportunity S 3 (4)	179.9	189.1	-	42246
Pens Reserve S 3 (4)	172.9	182.0	-	47047

Abbey Life Assurance Co Ltd

Britannia Life Assurance
50 Bothwell Street, Glasgow G2 6HR
Life Funds

	Bid Price	Offer Price
Measured Performance	174.6	184.6
Performance Plus	177.3	187.6
With Profit Perform.	168.6	178.1
UK Opportunity	189.9	200.9
European Opportunity	232.0	245.6
Nth American Opp.	177.5	187.8
Far Eastern Opp.	214.1	226.5
Overseas	204.3	216.1
Gwth Prp Ser 1 Mar 6	142.0	149.4
Gwth Prp Ser 2	177.1	187.4
Fixed Interest	193.8	207.1
Cash	182.8	191.6

Britannia Life Ltd
50 Bothwell Street, Glasgow G2 6HR

	Bid Price	Offer Price
Equity Pen Acc	70.40	75.60
Building Soc Pen Acc	43.80	49.20
American Pen Acc	80.40	86.30
European Pen Acc	43.60	46.80
International Pen Acc	62.00	66.60
Managed Pen Acc	49.00	52.60

Canada Life Group
High St, Potters Bar, Herts, EN6 5BA
Individual Pension-Distribution

	Bid Price	Offer Price
Managed Pen Fund	541.7	570.3
Property Pen Fund	184.8	194.8
Index-linked Pen Fd	198.7	209.2

Cross Financial Management Ltd - Contd.

Hearts of Oak Insurance Group - Contd.

Lincoln National

Mill Life Assurance Ltd

Providence Capital Life Assc. Co Ltd - Contd.

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Royal Liver Assurance
Royal Liver Building, Liverpool, L3 1HT. 051-236 1451

	Bid Price	Offer Price	Yield Gross	City-Line
UK Equity	82.7	87.0	-	43827
Global Equity	62.1	65.4	-	43828
High Yield	79.5	83.7	-	43829
Intl Equity	88.5	93.2	-	43830
Fixed Interest	[illegible]	86.2	-	43831
Money	76.2	80.2	-	43832
Managed	84.1	88.6	-	43833
Pensions				
UK Equity	90.3	95.0	-	43834
Global Equity	66.4	69.9	-	43835
High Yield	92.8	97.73	-	43836
Intl Equity	99.30	104.5	-	43837
Fixed Interest	97.60	102.7	-	43838
Money	94.3	[illegible]	-	43839
Managed	94.9	[illegible]	-	43840
Tax Exempt				
Tax Exempt Mgd	71.0	74.7	-	46252

S-E-Banken Life Assurance Co Ltd
149-151 High Rd, Chadwell Hth RM6 6PJ 081-597 7898

	Bid Price	Offer Price	Yield Gross	City-Line
Managed Fund	162.4	171.0	-	42838
Pension Mngd Fd	184.2	193.9	-	42839

Save & Prosper Group (z)
16-22 Western Rd, Romford RM1 3LB 0708-766966

	Bid Price	Offer Price	Yield Gross	City-Line
Bal Inv Fd	789.3	836.3	2.14	43841
Coverdale AS Bond Fd	168.6	177.5	-	43852
Deposit Fd	350.4	361.4	5.77	43842
Directors' Portfolio	87.9	93.1	-	44485
Equity Pens Fd	201.8	273.3	-	43846
European Mngd Fd	70.4	74.6	-	44172
Gilt Fd	842.9	874.6	7.43	43845
Gilt Pens Fd	149.2	157.9	7.38	43847
Global Equity Fd	269.1	283.6	-	43844

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Feb 18		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.8625	-0.1056	539 - 710	17.9682	17.8342	17.8587	0.3	17.8531	0.2	-	-	113.3
Belgium	(BFr)	52.3296	-0.248	910 - 681	52.7426	52.2370	52.3846	-1.3	52.4996	-1.3	52.8546	-1.0	114.2
Denmark	(DKr)	9.9424	-0.0036	356 - 491	9.9603	9.9015	9.9506	-1.0	9.9681	-1.0	9.9889	-0.6	114.2
Finland	(FM)	8.1818	-0.0116	722 - 914	8.2340	8.1570	-	-	-	-	-	-	81.9
France	(FFr)	8.6385	-0.0353	339 - 430	8.6854	8.6256	8.6471	-1.2	8.6631	-1.1	8.696	-0.7	107.7
Germany	(DM)	2.5406	-0.0153	392 - 420	2.5506	2.5358	2.5427	-1.0	2.5458	-0.8	2.5481	-0.3	122.1
Greece	(Dr)	368.444	-1.457	974 - 913	369.465	368.250	-	-	-	-	-	-	-
Ireland	(I£)	1.0397	-0.0027	379 - 414	1.0422	1.0352	1.0404	-0.8	1.0417	-0.8	1.0462	-0.6	102.6
Italy	(L)	2468.49	-7.46	708 - 989	2478.62	2469.01	2474.54	-2.9	2488.64	-3.3	2536.99	-2.8	76.6
Luxembourg	(LFr)	52.3296	-0.248	910 - 681	52.7426	52.2370	52.3846	-1.3	52.4996	-1.3	52.8546	-1.0	114.2
Netherlands	(Fl)	2.8504	-0.0158	489 - 519	2.8660	2.8449	2.8514	-0.4	2.8521	-0.2	2.8478	0.1	117.8
Norway	(NKr)	10.9949	-0.0298	904 - 993	11.0682	10.9666	10.9919	0.3	10.9842	0.4	10.9934	0.0	84.3
Portugal	(Es)	258.199	+0.469	695 - 712	258.582	256.567	259.189	-4.6	261.324	-4.8	-	-	-
Spain	(Pta)	207.513	-0.285	420 - 606	208.247	207.446	208.138	-3.6	209.313	-3.5	213.668	-2.9	84.7
Sweden	(SKr)	11.7092	-0.0578	005 - 179	11.8714	11.7133	11.7302	-2.2	11.7702	-2.1	11.9032	-1.7	76.6
Switzerland	(SFr)	2.1443	-0.01	429 - 456	2.1566	2.1431	2.1429	0.8	2.1392	0.9	2.1197	1.1	117.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.4

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 18		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	12.0790	-0.111	765 - 815	12.1055	12.0530	12.098	-1.9	12.134	-1.8	12.204	-1.0	102.6
Belgium	(BFr)	35.3865	-0.2835	700 - 030	35.5600	35.2900	35.4815	-3.2	35.6365	-2.8	36.0865	-2.0	103.6
Denmark	(DKr)	6.7233	-0.0243	205 - 260	6.7360	6.6893	6.7431	-3.5	6.7819	-3.5	6.8458	-1.8	103.2
Finland	(FM)	5.5327	-0.0259	277 - 377	5.5581	5.5043	5.5392	-1.4	5.5497	-1.2	5.5837	-0.9	76.8
France	(FFr)	5.8415	-0.043	400 - 430	5.8606	5.8255	5.8548	-2.7	5.8805	-2.7	5.9375	-1.6	104.1
Germany	(D)	1.7180	-0.016	175 - 185	1.7225	1.7127	1.7216	-2.5	1.7281	-2.4	1.7396	-1.3	103.5
Greece	(Dr)	249.150	-1.8	900 - 400	249.500	248.600	252.525	-16.3	259.15	-16.1	288.4	-15.8	70.9
Ireland	(I£)	1.4224	+0.0083	204 - 244	1.4321	1.4180	1.4194	2.5	1.4137	2.4	1.3967	1.8	-
Italy	(L)	1669.25	-10.5	875 - 975	1676.25	1666.00	1675.5	-4.5	1689.25	-4.8	1732.25	-3.8	77.1
Luxembourg	(LFr)	35.3865	-0.2835	700 - 030	35.5600	35.2900	35.4815	-3.2	35.6365	-2.8	36.0865	-2.0	103.6
Netherlands	(Fl)	1.9275	-0.017	270 - 280	1.9339	1.9226	1.9306	-2.0	1.936	-1.8	1.9443	-0.9	103.0
Norway	(NKr)	7.4350	-0.0445	340 - 360	7.4740	7.3978	7.4477	-2.1	7.4707	-1.9	7.5125	-1.0	94.4
Portugal	(Es)	174.600	-0.25	300 - 900	174.900	173.400	175.465	-5.9	177.26	-6.1	183.7	-5.2	94.1
Spain	(Pta)	140.325	-0.05	300 - 350	140.780	140.000	140.93	-5.2	142.075	-5.0	145.825	-3.9	80.2
Sweden	(SKr)	7.9181	-0.065	143 - 218	8.0131	7.9143	7.9451	-4.1	7.9966	-4.0	8.1431	-2.8	81.8
Switzerland	(SFr)	1.4500	-0.0115	495 - 505	1.4555	1.4455	1.4509	-0.8	1.4521	-0.6	1.4473	0.2	104.0
UK	(£)	1.4788	+0.0048	784 - 792	1.4832	1.4770	1.4769	1.5	1.4733	1.5	1.4646	1.0	89.4

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

D-MARK FUTURES (IMM) DM 125,000 per DM

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

STERLING FUTURES (IMM) £62,500 per £

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

UK INTEREST RATES

LONDON MONEY RATES

BANK OF ENGLAND TREASURY BILL TENDER

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on page 23 in today's edition.

Pound in New York

FIXED INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

US TREASURY BILL FUTURES (IMM) $1m per 100%

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

STOCK INDICES

FT GOLD MINES INDEX

BASE LENDING RATES

BANK RETURN

LONDON RECENT ISSUES: EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year, 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

BANKS

	Notes	Price	W'k% ch'ge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		£24¾	2.3	Q59%	1.6	Sep May	1.9	1987
ANZ A$		203¼	-2.8	Q20c	0.7	Jan Jul	8.12	1688
Abbey National	†□	513	-6	11.85	2.3	May Oct	16.8	5411
Allied Irish I£	‡†□	280	1.4	Q44%	2.1	Oct May	16.8	1364
Anglo Irish I£		65	-2.9	Q17.5%	1.7	Jan Jul	29.11	1365
Asahi Y		715¼	3.1	Q14%	1.3	Jan Dec	12'92	3949
Banco Bil Viz Pta		£16⅜	6.6	Q27.2%	2.7	JyOcJaAp	13.7	–
Banco Sant Pta		£34⅝	—	Q8.1%	2.0	ApJyOcJa	30.10	–
Bank Leumi (UK)		450	13.9	28.8	Φ	Apr Sep	2.8	1748
Bk Ireland I£	‡uz□	283	2.2	Q13⅛%	1.5	Jul Dec	15.11	1368
Bank Scotland	‡†□	228	1.8	4.67	1.8	Dec Jul	18.10	1742
9¼pc Pf		138¼	-1.3	9¼%	–	May Nov	18.10	1402
9¼pc Pf		143½	-1.0	9¼%	–	May Nov	18.10	–
Barclays	‡†□	577	-1.2	12.6	–	Oct May	16.8	1754
Dai Ichi Kan Y		£12⅞	0.2	Q16%	3.2	Jun Dec	27.9	3221
Deutsche DM		£324½	3.6	Q90%	–	May	24.5	2345
Espirito Santo		£24⅛	-1.9	Q128c	5.2	Jan	4.6	5187
First Nat Fin	N□	68xd	2.3	1.5	–	Mar	17.1	2571
6.3pc Cv Pf		98	1.1	6.3%	–	Jul Jan	4.1	2579
7pc Cv Pf		108	1.2	7.0	–	Jul Jan	4.1	–
Fuji Bank Y		1480½	-1.2	Q17%	2.3	Dec Jun	4.7	1884
HSBC HK	†□	1012	-1.8	20.8	2.0	Nov Jun	20.9	2796
HSBC (75p Stg)	†□	990	-2.0	20.8	2.0	Nov Jun	20.9	2779
Lloyds	‡N□	597xd	-7	22.1	2.1	Oct May	14.2	3171
Mitsubishi Y		£18½	2.0	Q17%	2.3	Jun Dec	12'92	5290
Mits Tst & Bk Y		891½	-3.8	Q18%	12.4	Jun Dec	12'92	4775
Mitsui Tst & Bk Y		693¼	-2.3	Q17%	6.5	Jun Dec	12'92	5388
Nat Aust A$		599	-2.9	Q50c	1.7	Jul Jan	9.6	3458
NatWest	†□	539	-2.7	17.8	1.0	Oct May	16.8	3463
Oldenburg FFr		£30½	-3.9	Q150%	2.3	May	12.5	1621
Ryl Bk Scotland	‡N□	464xd	1.0	11.0	1.9	Feb Jul	13.12	3874
Sakura Y		£9⅛	1.4	Q17%	3.0	Dec Jun	12'92	3651
Sanwa Y	S	£14	0.9	Q17%	2.7	Jun Dec	12'92	3109
Standard Chartd	†□	1302	0.2	20.5	[illegible]	[illegible]	[illegible]	[illegible]
7 3/8pc Pf		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
TNT A$		116¼	-3.8	-	-	-	3'91	4242
Tibbett & Britten	♣†□	915	1.9	12.6	2.0	May Oct	4.10	4228
Tiphook	N□	53	-17.2	19.3	-	Jan Oct	2.8	4238
Transport Dev	♣N□	319	-3	9.5	2.8	Nov May	20.9	4292
Ugland Intl	□	131	5.6	-	-	-	18.11	-
Vard NKr		£41½	0.4	-	-	-	-	-
Wah Kwong HK$		145¼	....	08¼c	4.2	Aug Jan	-	-

WATER

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Anglian	♣†N□	564xd	5.4	21.6	2.1	Oct Apr	29.11	5402
Bristol Water	†N	1113	0.7	31.8	2.3	Feb Oct	4.1	-
Chearn A	†	480	....	11.7	2.5	Jan Aug	4.1	-
8 N.V.		473	....	11.0	2.5	Jan Aug	4.1	-
East Surrey	†	408	-5	11.79	3.0	Jan Jul	13.12	2405
Mid Kent	†N	365	....	10.75	2.0	Jan Jul	13.12	4389
North West	†N□	560xd	0.5	21.84	2.4	Aug Apr	13.12	5422
Northumbrian	♣†N□	696xd	-1.3	22.5	3.2	Oct Apr	15.11	5412
Severn Trent	♣†N□	594xd	0.5	21.65	2.8	Oct Apr	13.12	5432
South Staffs	♣†	1598	0.4	49.5	3.0	Jan Jul	29.11	-
South West	†N□	614xd	....	24.3	2.3	Sep Apr	29.11	5452
Southern	†N□	617xd	-6	21.9	2.5	Oct Apr	4.1	5442
Thames	♣†N□	567	2.0	21.5	2.7	Sep Feb	15.11	5462
Welsh	†N□	694xd	1.5	24.15	3.4	Oct Apr	13.12	5472
Wessex	†N□	660xd	-1.4	22.2	2.5	Oct Apr	4.1	5482
York W'works	♣†	351	....	9.5	2.3	Jul Jan	13.12	3213
Yorkshire	♣†N□	570xd	-7	21.8	2.4	Oct Apr	13.12	6482

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£18¼	-1.3	Q350c	1.7	Oct Apr	22.2	-
Barlow		£4½	-4.3	Q173c	1.7	Jan Jul	13.12	1780
Gold Fields SA R		£13¹⁵⁄₁₆xd	7.2	Q200c	1.5	Mar Sep	31.1	2717
MK Props	s	95	....	044.7c	0.3	Feb Oct	19.10	-
SASOL	♥	324	-3.9	Q78c	-	Oct	23.9	3919
SA Brews		£12⅛	-2.6	Q138c	2.2	Dec Jun	13.12	4113
Tiger Oats		713	....	Q82c	2.9	Jan Feb	29.11	5222
Tongaat-Hulett	†	487	-1.8	075c	2.4	Feb Aug	4.1	5221

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend: cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Not subject to ACT.
z Dividend includes a special payment: Cover does not apply to special payment.
F Dividend based on prospectus or other official estimates for 1994-95.
G Assumed dividend after pending scrip and/or rights issue.
H Dividend based on prospectus or other official estimates for 1993.
K Dividend based on prospectus or other official estimates for 1994
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Baring Energy Europe Ord and Warrants, Friends Provident Ethical Ord, Units & Zero Prf. (Inv Trusts). Deletion: Morgan Grenfell Equity C (Inv Trusts).

FT Free Annual Reports Service

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An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close February 18

1993/94 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
18⅝	11½	AAR	0.48	3.0	25	415	16¼	15¾	15¾	-⅜
29⅝	12¾	A L Labs A	0.18	1.1	36	152	15⅞	15¼	15⅞	+½
67¼	54⅝	AMP	1.68	2.7	22	2047	63⅝	62⅝	63⅛	+½
72¼	53½	AMR			31	6756	65⅝	63¾	65	-¼
5	1¾	ARX			16	176	4⅞	4¾	4⅞	
68⅛	29⅞	ASA	2.00	4.4	29	2053	46⅝	45⅛	45⅛	-1⅜
30¾	22⅝	AbbtL	0.76	2.7	16	8796	28⅝	28¼	28¼	-⅛
13⅛	8¼	Abitibi Pr	0.50	3.9	8	64	u13⅛	12⅞	12⅞	-¼
15⅝	8¼	Acptncain			23	36	12¾	12½	12¾	
38	25½	ACE Ltd	0.40	1.4	4	887	28⅞	28⅛	28¼	-⅛
12⅞	10¾	ACM Gvt In	1.09	8.9		276	12⅜	12¼	12¼	-⅛
10⅛	9⅛	ACM GvOpp	0.80	8.3		133	9¾	9⅝	9⅝	-⅛
10⅝	8¾	ACM Gvt Sp	0.96	9.5		223	10¼	10⅛	10⅛	-⅛
12¾	10½	ACM Gvt Se	1.09	9.4		720	11⅝	11½	11⅝	+⅛
12¾	9⅝	ACM Man	1.08	9.8		740	11⅛	10⅞	11	
9⅞	8⅜	ACM Managd	0.72	8.2		242	8⅞	8¾	8¾	-⅛
12⅞	7¾	AcmeCle	0.44	4.5	12	44	10	9¾	9⅞	
11⅞	6⅞	Acme Elect			35	113	8⅛	8	8⅛	+¼
27⅞	18⅜	Acordia	0.44	1.7	13	24	26	25⅞	25⅞	-⅛
9¼	6⅝	Actava	0.36	4.2	17	193	8¾	8⅝	8½	-⅛
16	10⅜	Acuson			81	100	11⅞	11¾	11⅞	+⅛
21¼	17⅝	Adams Expr	0.36	2.0	0	154	18	17¾	17⅞	-⅛
68¾	45½	Ad Micro	3.00	5.7		57	53¼	51¾	52½	-¼
32¾	16¾	AdvMc	3.00	13.9	9	2717	22	21⅝	21⅝	-¼
8⅛	5½	Advest Grp	0.16	2.4	10	67	6⅝	6⅝	6⅝	
24¾	14¼	Advo Inc	0.10	0.6	117	1031	18	17⅜	17⅞	+¼
68½	41⅛	Aegon ADR	1.23	2.2	12	144	55¼	53¾	54¼	+¾

[illegible]

Continued on next page

4 pm close February 18

NYSE COMPOSITE PRICES

1993/94 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		Continued from previous page								
24¾	13⅛	ShylG	0.38	2.3	8	418	15⅞	15⅝	15¾	-⅛
23⅝	10⅞	Safeway			23	2921	u23⅞	23½	23⅝	
5½	2	SafewayW96				385	u5⅝	5⅜	5½	
55½	37½	StJoePaper	0.20	0.4	266	43	54⅜	54⅛	54⅜	
37⅞	28	StJosL&P	1.80	6.3	14	24	28⅝	28⅜	28½	-⅛
93	75	StPaul	3.00	3.6	8	802	83⅝	82⅛	83⅜	+⅞
11⅜	6⅞	Salant Crp			10	282	8½	8¼	8⅜	+⅛
75¾	39⅞	SallieMae x	1.40	2.9	9	7339	48	47½	47⅝	-⅝
14⅞	12⅝	Salomon Br x	0.55	4.2		367	13⅛	13⅛	13⅛	-⅛
51⅞	34	Salomon	0.64	1.3	6	3123	50⅜	49⅞	50⅛	+⅛
27¾	22⅞	SnDgGE	1.48	6.8	12	1082	22¾	22½	22½	+⅛
11⅞	8⅞	SantaFeERs	0.16	1.8	304	894	9¼	9	9⅛	+⅛
40⅞	35¾	SantaFePac	2.80	7.1	18	42	39¼	39	39¼	+⅛
26¼	12¾	SanfeP	0.10	0.4	13	4431	23⅞	23½	23¾	+½
31⅛	21	SaraLee	0.64	2.9	14	5887	22½	21⅞	21⅞	-⅜
52¼	40⅛	Scana Corp	2.82	6.2	12	487	45⅞	44⅞	45⅛	-½
25¾	18½	Scecrp	1.42	7.8	12	10046	18¾	d18⅛	18¼	-½
40½	23⅞	SchererRP			29	66	38⅞	38⅜	38½	+⅛
71	51¾	SchrPl	1.80	3.0	14	3740	60	59⅞	59⅝	-⅛
68⅞	54⅝	Schlmb	1.20	2.1	24	4605	58½	57½	58	+⅜
38⅜	16½	Schwab(C)	0.28	1.1	12	4426	27¼	26¼	26⅜	+⅛
9⅝	5⅝	Schweitzer			123	79	8	8⅝	8⅝	-⅜
30⅜	17¾	SciAtl	0.12	0.4	55	2754	28⅛	27¼	27⅝	-¼
16¾	9⅞	Scotsman	0.10	0.6	15	239	u16⅞	16⅛	16⅜	-⅜
46¾	31	ScottP	0.80	1.8	11	1130	45⅛	44⅞	44⅞	+⅛
28⅝	14¼	ScuddrNAsF	0.27	1.1		101	24½	24⅛	24⅛	-⅜
[illegible]										

- X - Y - Z -

1993/94 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
103¼	69⅞	Xerox	3.00	3.0	40	3606	99⅝	96⅞	98⅝	-1⅝
55½	51½	Xerox4.125	4.12	7.6		2	54½	54½	54½	
53	31¼	Xtra Corp	0.56	1.3	19	1480	44⅞	44½	44½	
29¼	19½	Yankee Egy	1.16	4.7	14	30	24¾	24½	24½	-⅛
1⅝	¾	Zapata			7	631	1⅜	1¼	1¼	
10⅞	5⅞	ZnthEl			3	6408	10½	10¼	10½	+⅛
29¼	19⅝	Zenith Nat	1.00	4.3	10	112	24	23½	23½	-⅜
8	6½	Zenix Inc	0.82	10.5		70	7⅞	7¾	7¾	
16⅝	12⅝	Zero	0.40	2.8	17	33	14¾	14½	14½	-⅛
40¾	25⅛	Zurn Ind	0.88	3.1	92	179	29⅝	28⅝	28⅝	-½
13⅞	12⅝	Zweig Fund	1.24	9.2		389	13½	13⅜	13½	-
10⅞	9⅞	Zweig Tot	0.96	9.3		773	10½	10⅜	10⅜	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1993. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close February 18

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close February 18

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

FT GUIDE TO THE WEEK

21 MONDAY

German strike ballot

The national executive of IG Metall, the engineering workers' union, meets to decide in which region it will hold a strike ballot, with the intention of calling a strike in early March. Baden-Württemberg and North Rhine-Westphalia are the most likely contenders. Yet there are still hopes for a negotiated solution to the dispute concerning pay and conditions, with engineering employers seeking drastic cost cuts.

North Korea: today is the deadline for North Korea to permit inspection of its nuclear facilities. An eleventh-hour agreement with the International Atomic Energy Agency (IAEA) means that there will be no immediate clash with the UN Security Council. North Korea's last-minute compliance ensures that it will not be accused of violating the terms of the Nuclear Non-Proliferation Treaty at an IAEA board of governors' meeting today.

European Union foreign ministers meet in Brussels to discuss the Balkan crisis and the enlargement of the union. Member states are expected to use the meeting to lodge further protests at Greece's recent decision to blockade Macedonia. Meanwhile the foreign ministers will also be seeking to hammer out more details in the enlargement negotiations, in advance of the special EU council meeting on enlargement next weekend. EU agricultural ministers also meet today.

Euro Disney's 60 banks receive the final version of an investigative audit of the troubled leisure group's finances from KPMG Peat Marwick, the accountancy firm. A meeting with Euro Disney will then be arranged to start negotiations about its emergency financial restructuring. The banks last week discussed preliminary proposals for restructuring with executives of Euro Disney and Walt Disney.

EU networks about to extend:

The European Union's ambitious trans-European networks initiative, which aims to develop telecommunications, energy and transport networks spanning the region, takes its next step forward today. Mr Henning Christophersen (above), economics commissioner, chairs the second meeting of a taskforce consisting of senior officials from member states. The group will consider which transport and energy projects should be given priority and various options for finance.

Holidays: US, President's Day holiday. Federal government offices closed.

22 TUESDAY

Greenspan on policy

Mr Alan Greenspan,the chairman of the US Federal Reserve, gives his bi-annual address to Congress on the state of the economy and current central bank monetary policy. He is likely to be grilled about his decision to raise interest rates on February 4. It was the first tightening of US monetary policy in five years, and some in Congress criticised the decision as likely to hinder, not help, the economy.

Gatt and the environment: In Geneva, the governing council of the General Agreement on Tariffs and Trade debates the link between trade and the environment. The ministerial meeting in Marrakesh on April 12-15, to set the course of Gatt's future work on the issue, is uppermost in trade diplomats' minds. Greens say trade rules need changing to secure environmental goals; developing countries fear greenery cloaks protectionism.

UK revised GDP figures will be watched closely by the markets, in the wake of last week's disappointing economic statistics. Traders are likely to see any downwards revision from the earlier estimate of a 0.7 per cent rise in 1993's fourth quarter as a sign that the recovery is faltering.

Women priests in prospect: The general synod of the Church of England meets in London for a final debate on the legislation to permit the ordination of women priests. If, as is almost certain, the synod approves the legislation the first women to become priests will be ordained before Easter.

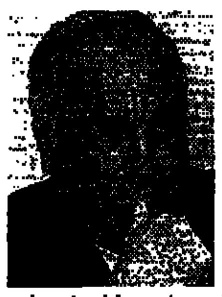
Giovanni Goria goes on trial:

Former Italian Prime Minister Giovanni Goria (left), a Christian Democrat, goes on trial for alleged corruption in Turin. Mr Goria resigned as finance minister because of his alleged involvement in irregularities in a savings bank scandal. More than 50 deputies and senators and 1,000 senior politicians and businessmen were investigated.

Mr Geidar Aliev, only member of the Brezhnev-era Politburo to have survived as a leader in the post Communist era, arrives in Britain with a large demand and a large promise. The demand is that Armenia be recognised as an aggressor against Azerbaijan after the forces from the Armenian-populated enclave of Nagorno Karabakh within Azerbaijan captured swathes of Azeri territory. The promise is of exploitation rights, for BP among other large oil companies, of reserves in the Caspian sea off Baku which has the oil industry entranced and the more enthusiastic of the Azeris talking of a new Kuwait.

23 WEDNESDAY

Kohl to galvanise CDU



Mr Helmut Kohl (left), the man who brought Germany unification, continues his Christian Democratic Union's election campaign at the party conference in Hamburg. He must galvanise his party and revive its spirits in the face of economic recession and a slump in electoral support across the country. The question is whether Mr Kohl, with his very considerable political experience and cunning, can reverse the downward trend in the polls. His hopes rest on three things: a recovery of the German economy; the desire of electors to return to the familiarity and security of the ruling coalition at national, rather than local, elections; and his own ruthless political instincts in a frantic election year.There are 19 separate elections ahead, leading up to the general election on October 16. The conference ends today.

Zhu Rongji starts tour of Japan:

The Chinese vice premier (left) begins a nine-day official visit to Japan, to meet Mr Tsutomu Hata, foreign minister, and other leaders. He is the first senior Chinese leader to visit Japan since prime minister Morihiro Hosokawa took power last August.

Han Sung-joo, South Korean Foreign Minister, visits Mexico in the course of what was originally planned as a trade trip in connection with the creation of the North American Free Trade area. .

Race relations relaunched: Mr William Waldegrave, minister for public service, and Mr Herman Ouseley, chairman of the Commission for Racial Equality, will launch a new look for Britain's race relations organisation. The CRE will adopt Citizen's Charter service standards and a new structure in an attempt to provide improved services to members of ethnic minority communities.

Fresh Guildford Four appeal: Paul Hill, 38, from Belfast, starts his appeal against conviction for killing a soldier in Belfast in 1974. Mr Hill has been on bail since the Guildford Four were released in October 1989. His appeal against conviction for murdering a former soldier, Mr Brian Shaw, in 1974 will be heard by the Lord Chief Justice, Sir Brian Hutton, Lord Justice MacDermott and Mr Justice McCollum.

24 THURSDAY

Anxiety at Yeltsin address

Boris Yeltsin is to address both houses of parliament, an event postponed from February 18 because the Russian president was suffering from a cold. His speech will now be heard with special attention as concern mounts throughout the international community regarding the president's stamina. His words will be especially scrutinised for indications of exactly how he intends to maintain the progress of economic reform.

More US economic data are published today, providing further evidence of whether or not the economic expansion is continuing this year. Figures include durable goods orders and durable shipments in January, and initial unemployment claims, state benefits, and weekly money supply statistics.

Romanian unrest intensifies: The farmers' union Agro-Star plans a one-day strike in protest at government agricultural policies and the poor administration of state farms. Romanian airport workers plan a one-hour strike in support of wage claims tomorrow. Romania's three main labour blocs strike on February 28 to back demands for a change of government. Last week President Ion Iliescu met leaders of the Alfa trade union movement, one of Romania's three main labour blocs.

Discontent has grown steadily among the 23m Romanians, fuelled by inflation, since the one-party communist state collapsed in December 1989.

Prime Minister Yitzhak Rabin ends his four-day official trip to Spain and Portugal, hoping to persuade them to influence more Arab states to make peace with Israel.

Tokyo court bribery hearing:

Tokyo District Court holds its first hearing on the alleged bribery case involving former Miyagi governor Shuntaro Honma and executives at Daishowa Paper. Daishowa Paper is the country's second largest paper manufacturer. The defendants include Mr Ryoei Saito, (above) honorary chairman of Daishowa Paper, notorious for his desire to be buried alongside his collection of Impressionist paintings. The arrest of Mr Saito, 77, followed allegations that he authorised a Y100m (£630,000) payment to a governor who approved a Daishowa-linked golf course and housing complex.

U.N. High Commissioner for Refugees Sadako Ogata visits Mbabane in Swaziland to assess the situation with regard to refugees from Mozambique (until Feb 27).

Boris Yeltsin is unwell

25 FRIDAY

Greens seize protest role

In Mannheim, the German Greens begin their two-day party conference. The Greens will be seeking to launch themselves as the main party of protest against the political establishment in this marathon election year.

Moroccan unions take action: A Moroccan federation of unions plans a 24-hour strike today to protest at the government's continued refusal to participate in talks. A similar strike in December 1990 caused riots in several cities in which at least 43 people were killed.

Keen hope for EU enlargement: Foreign ministers assemble in Brussels for a special EU council meeting on the enlargement of the union. The participants will aim to consolidate the progress made in preliminary talks earlier in the week.

Japanese construction scandal: Tokyo District Court holds its first hearing on the alleged bribery case involving Mr Fujio Takeuchi, former governor of Ibaraki north of Tokyo. Four construction groups are involved in charges of bribery relating to tenders for a government dam project.

26-27 WEEKEND

Group of Seven on CIS

Finance ministers and central bank governors of the Group of Seven (G7) gather in Kronberg, in the Taunus hills north of Frankfurt, to debate the plight of the Russian economy. Mr Theo Waigel, the German finance minister, whose country is most exposed to Russia's debt problems, invited them.

Italy's election in March will be the first under a new simple majority system but the voters are likely to be as confused as ever. Fully 320 polling booth symbols have been submitted for approval before Sunday's deadline for filing candidates' names.

Twin Towers bombing: The anniversary of the World Trade Center bombing in New York may be marked by the end of the four-and-a-half month trial of the alleged bombers. Prosecution and defence should have concluded summations by Monday, and the jury may pass judgement on the four defendants - Mohammad Salameh, Ahmad Ajaj, Nidal Ayyad and Mahmud Abouhalima - shortly afterwards.

Compiled by Martin Mulligan. Fax: (+44) (0)71 873 3194.

ECONOMIC DIARY

Other economic news

Monday: The board of I G Metall, the German engineering workers' union, meets to decide on possible strike ballot. A ballot will take several days to organise and at least two days to conduct.

Tuesday: The French trade balance for December is expected to show a Ffr6.7bn surplus, compared with Ffr6.6bn in November.

Thursday: German cost of living figures, expected today, are forecast to show a further fall from January's 3.5 per cent to an annual rate of 3.2-3.4 per cent in February. Underlying inflation pressures have eased, allowing the Bundesbank to cut rates last week.

Friday: The CBI monthly trends report for February will provide further evidence of the strength of the UK economy. The quarterly report, published last month, presented a fairly upbeat picture of business confidence.

The UK will also publish its trade balance with non-European Union countries in January. The deficit is expected to have widened to £790m, from £675m in December. French consumer price index figures for January are expected to show that inflation still remains low at 2.1 per cent.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Germany	Jan import prices**	-1.3%	-1.3%
Feb 21	Canada	Dec retail sales*	0.7%	-0.2%
Tue	US	Feb consumer confidence	83.1	83.2
Feb 22		Jan treasury budget	$10.5bn	-$8.3bn
	Japan	Feb WPI - 1st 10 days	-	flat
		Dec coincident index	-	20%
		Dec leading diffusion index	-	30%
	France	Dec trade balance	FFr6.7bn	FFr6.6bn
		Jan household consumption	-	flat
	Italy	Jan CPI - cities*	0.4%	0.6%
	UK	Q4 GDP - revised*	0.7%	2.5%
	Canada	Dec wholesale trade*	0.5%	1.7%
	Sweden	Dec industrial production*	1.0%	-1.0%
		Jan CPI*	0.9%	-0.4%
Wed	Aust'lia	Jan motor vehicle registrations	2.5%	-6.1%
Thur	US	Jan durable orders	1.0%	2.2%
Feb 24		Jan durable shipments	-	-
		initial claims w/e Feb 19	360,000	371,000
		state benefits w/e Feb 12	-	2,730,000
		money supply w/e Feb 14		
	Aust'lia	Q4 company profits	10%	11%
Fri	US	Jan existing home sales	-	4.49m
Feb 25		Jan export price index	-	0.3%
		Jan import price index	-	-0.9%
		Jan bank credit	-	5.8%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	Japan	Feb CPI - Tokyo**	1.3%	1.4%
		Jan CPI - Nation**	1.2%	1.1%
		Jan retail sales**	-2.5%	-4.5%
	France	Jan CPI*	0.2%	0.1%
	UK	Non EU trade balance	-£790m	-£675
	Canada	Jan ind prod price index	0.2%	0.5%
During this week...				
	Germany	Jan PPI*	0.3%	-0.1%
		COL Nordrhine Westphalia*	0.3%	0.8%
		Baden-Wuertt*	0.3%	0.8%
		COL Bavaria*	0.3%	0.8%
		Hesse*	0.3%	1.1%
		Jan M3 from Q4 base	6.6%	8.1%
		Feb COL - preliminary*	0.3%	0.8%
	Italy	Dec WPI**	4.2%	4.3%
		Dec PPI**	4.0%	3.9%
		Jan M2 - 3 monthly average**	7.4%	7.9%
		Jan total bank lending	-1.4%	-1.9%
		Jan Italian bank lending	4.1%	4.3%
	Belgium	Feb CPI**	2.3%	2.4%
	Switz	Feb CPI - Basel*	-	0.1%
		Feb CPI - Geneva*	-	0.1%
		Feb CPI - Federal*	-	0.1%

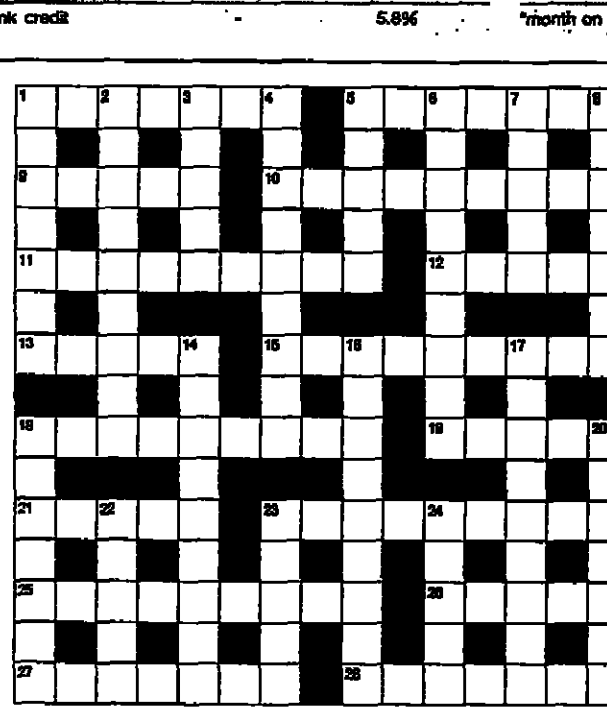
*month on month, **year on year. *Statistics, courtesy MMS International.*

ACROSS

1 End outbreak of boils in a hospital (7)
5 Salesman was dishonest and wrote back (7)
9 When back on left in a reception room (5)
10 One lady takes one drink, it's assumed (9)
11 Concerns travelling in streets (9)
12 Where we go after credit note (5)
13 Elicit approval the day before going round (5)
15 Tenants with very little money in flexible accounts (9)
18 Bank chap whose accounts are often exaggerated? (9)
19 Seen while murdering some animal (5)
21 Throw nothing back into sink after article's removed (5)
23 Terribly posh they love absorbing divine wisdom (9)
25 Exactly like dialect in broadcasting (9)
26 Use Virginia when in trouble (5)
27 Spots it on returning these in France (7)
28 Having no beer Daley swallows more rum, trembling (7)

DOWN

1 Sign for cooked sauce, very good for filling in (7)
2 Ring Basil, not bothering to make sacrifices (9)
3 Shot topless trespasser! (5)
4 Calls to man to return – it's bad weather (9)
5 First radio listeners needed towers (5)
6 Most important cardinal (9)
7 Silly Georgina never hides (5)
8 Sends modified lines during drought (7)
14 Return quote after Green's letters get forceful (9)
16 Against engineer taking time round the local in disguise (9)
17 Call with coat which reveals identity of occupant (9)
18 Form has, if turned against (7)
20 Top family members' payment for sales (7)
22 Dinner noiselessly swallowed it becomes lazy (5)
23 Sit up holding back half of mattress cases (6)
24 Broken fragment has crumbled on road (5)



MONDAY PRIZE CROSSWORD
No.8,385 Set by GRIFFIN

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday March 3, marked Monday Crossword 8,385 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday March 7.

Name....................

Address....................

Winners 8,373

R. Kaufeler, London SW16
D. Cattell, Farsley, Leeds
Angela Hart, Tonbridge, Kent
Mrs Yvonne Hodson, London SE26
J.A.G. Marshall, Kinross
Mrs William Regan, Bronxville, USA

Solution 8,373